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ECONOMIC AND INDUSTRIAL AFFAIRS

HUNGARY: LAWS, DECREES ON DEVELOPMENT OF
HUNGARIAN ECONOMIC MANAGEMENT SYSTEM

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HUNGARY: LAWS, DECREES ON DEVELOPMENT OF
HUNGARIAN ECONOMIC MANAGEMENT SYSTEM

In issues Nos 46-48 of MAGYAR KOZLONY, Hungary promulgated a series of laws and decrees introducing comprehensive changes for 1985 in the system of managing the Hungarian economy. This JPRS report contains the complete tables of contents and selected items from the official gazette's three issues.

CONTENTS

Complete Tables of Contents: MAGYAR KOZLONY Nos 46-48, 1984	1
1977 Law on State Enterprises Amended	4
1979 Public Finances Law Amended	12
1967 Law Decree on Hungarian National Bank Amended	17
Market Supervision Regulated	20
Enterprise Pay, Incentive Fund, Management Incentives Regulated	24
Finance Minister Regulates Enterprise Incomes	26
Excess Profit Tax Levied on Planning, Design, Project Administration.	46
Producers' Differential Compromise Turnover Tax Refund Amended	48
Agricultural, Food Industry Export Subsidy Amended	49
Trade Tax Levied on Foreign Trade Enterprises	50
System of Enterprise Wage, Salary Regulation Implemented	52
Regulation of Workers' Incentives Implemented	65

Senior Enterprise Managers' Incentive System Implemented	68
Pricing of Energy, Industrial Materials, Intermediates Amended	74
Adjustment of Manufacturing Prices to Foreign-Trade Prices Regulated	75
Rules on Notice of Intent to Raise Free-Market Prices Amended	79
Wholesale Pricing of Consumer Goods Regulated	81

COMPLETE TABLES OF CONTENTS: MAGYAR KOZLONY NOS 46-48, 1984

Budapest MAGYAR KOZLONY in Hungarian Nos 46-48, 1984

[Note: An asterisk after a title indicates that a translation of the item appears in this report.]

[No 46, 31 Oct 84 p 769]

[Text] Law No IV/1984 Banning Unfair Business Practices

Pages
770-779

Law Decrees

No 22/1984 Amending Law No VI/1977 on State Enterprises*	779-783
No 23/1984 on Instructing Economic Organizations to Undertake Specific Economic Activities	783-784
No 24/1984 Amending the Labor Code	784
No 25/1984 Amending Law No II/1979 on Public Finances*	784-787
No 26/1984 Amending Law Decree No 36/1967 on the Hungarian National Bank*	787-788

Decrees of the Council of Ministers

No 31/1984 on Unfair Pricing	788-790
No 32/1984 on Economic Fines	790-791
No 33/1984 Implementing Law No VI/1977 on State Enterprises	792-801
No 34/1984 Amending Decree No 6/1976 That Implements Law No I/1976 on National Defense	801
No 35/1984 Amending Decree No 48/1979 That Implements the Labor Code	801-803
No 36/1984 Amending Decree No 23/1979 That Implements Law No II/1979 on State Finances	803-807

[No 47, 5 Nov 84 p 809]

[Text] Personnel Announcements

810-812

Decrees of the Council of Ministers

No 37/1984 on Market Supervision*	812-814
No 38/1984 on Price Regulation	814-819
No 39/1984 on Currency Circulation and Bank Credit	819-821
No 40/1984 on Enterprise Income Regulation	821-824

No 41/1984 Amending Decree No 50/1981 on the Income Regulation of Small Cooperatives and Small Consumer Service Companies	824
No 42/1984 on the Income Regulation of Public Service Enterprises	825
No 43/1984 on Enterprise Wage and Salary Regulation, the Incentive Fund's Use for Economic Stimulation, and the System of Economic Incentives for Senior Managers*	826-827
No 44/1984 Amending Decree No 73/1982 on Boards of Supervision at State Enterprises	827
Decrees of the Minister of Finance	
No 32/1984 on Enterprise Income Regulation, and the Formation and Use of the Incentive Fund*	828-838
No 33/1984 on the Income Tax of Small Cooperatives and Small Consumer Service Enterprises, and the Formation and Use of Their Incentive Funds	838-843
No 34/1984 on the Income Regulation and Economic Incentives of Public Service Enterprises	843-846
No 35/1984 on the Excess Profit Tax on the Planning, Design and Administration of Investment Projects*	846-847
No 36/1984 (Issued Jointly With the Minister of Foreign Trade) Amending Joint Decree No 23/1979 on Refunding the Producers' Differential Compromise Turnover Tax*	847
No 37/1984 (Issued Jointly With the Minister of Foreign Trade) Amending Joint Decree No 20/1979 on Agricultural and Food Industry Export Subsidies*	847-848
No 38/1984 on the Trade Tax of Foreign-Trade Enterprises*	848-849
Decrees of the State Office of Wages & Labor Affairs Chairman	
No 15/1984 on the System of Enterprise Wage and Salary Regulation*	849-856
No 16/1984 on the Incentive Fund's Use for Economic Incentives*	856-857
No 17/1984 on the System of Economic Incentives for Senior Managers of Enterprises*	858-861
No 18/1984 on Some Questions of the System of Economic Incentives for Workers of Small Consumer Service Enterprises and Small Cooperatives	861-863
Decrees of the National Material and Price Office Chairman	
No 14/1984 on Preparing Price Projections	864-865
No 15/1984 Amending Decree No 11/1983 on Adjusting the Pricing of Energy Sources, Industrial Basic Materials and Semi-finished Products to Their Foreign-Trade Prices*	866
No 16/1984 on Adjusting Prices in Manufacturing to the Foreign-Trade Prices*	866-869
No 17/1984 Amending Decree No 4/1981 on the Mandatory Advance Reporting of Planned Price Increases of Certain Goods and Services With Free-Market Prices*	869-870
No 18/1984 on the Pricing of Consumer Goods Sold Wholesale*	870-871

[No 48, 6 Nov 84 p 873]

[Text] Decrees of the Council of Ministers

No 45/1984 on Income Regulation in Agriculture, the Food Industry 873-811
No 46/1984 Regulating Investments 882-886

Decree of National Planning Office Chairman and Minister of Finance

No 3/1984 on Implementing Decree of the Council of Ministers
No 46/1984 Regulating Investments (Restated) 886-912

Decrees of the Minister of Finance

No 39/1984 on Income Regulation in Agriculture, the Food Industry 912-932
No 40/1984 (Issued Jointly With the Minister of Agriculture and Food) on Aiding Farms and Food Industry Plants 932-953
No 41/1984 (Issued Jointly With the Minister of Agriculture and Food) on Depreciation Norms for Economic Organizations Subject to the System of Income Regulation in Agriculture and the Food Industry 953-956
No 42/1984 on the Mutual Aid Fund of the Irrigation and Drainage Associations and on Balancing Its Deficit 957
No 43/1984 on the Founding of Agro-Industrial Associations, and the Financial and Labor Conditions of Their Operation 957-958

1977 LAW ON STATE ENTERPRISES AMENDED

Budapest MAGYAR KOZLONY in Hungarian No 46, 31 Oct 84 pp 779-783

[Law Decree No 22/1984 Amending Law No VI/1977 on State Enterprises]

[Text] The Presidential Council of the Hungarian People's Republic hereby amends Law No VI/1977 on State Enterprises (hereinafter: Enterprise Law) as follows:

Section 1

1. The title of Chapter II of the Enterprise Law is changed to read: "Establishing the Enterprise."
2. The following provision replaces Section 1, Paragraph 1, of the Enterprise Law:
 1. A minister, central-agency head, a council, or a state agency to whom the Council of Ministers has delegated authority to form enterprises (hereinafter collectively: the founding agency) may establish an enterprise.

Section 2

The following provision replaces Section 10 of the Enterprise Law:

Section 10

An enterprise is formed through the split-up of an existing enterprise, the spin-off of a subdivision, and the consolidation of enterprises.

Section 3

The following provisions replace Section 11 of the Enterprise Law:

Section 11

1. The enterprise's charter must specify:
 - a. The enterprise's name and place of business,
 - b. The scope of the enterprise's activity;
 - c. The enterprise's initial capital,
 - d. The organ acting as the enterprise's general manager,
 - e. The founding agency,
 - f. Other facts and circumstances required by law.
2. If the enterprise is being formed from another enterprise or agency, the predecessor's name also must be given.
3. To be incorporated, the enterprise must be entered in the register of enterprises. At its own request or when a statutory regulation so requires, the enterprise must be entered also in the register of firms.

Section 4

The following provisions replace Section 12 of the Enterprise Law:

Section 12

1. General management of the enterprise may be entrusted to
 - a. The enterprise council, or
 - b. The general meeting of the enterprise's workers or the meeting of their delegates (hereinafter jointly: general meeting of workers), or
 - c. The enterprise's director.
2. The general meeting of workers elects a management and, if the rules of organization and operation so require, a control committee as well.
3. When general management of the enterprise is entrusted to a director (hereinafter: enterprise under state supervision), the enterprise charter may require the formation of a management committee attached to the director.
4. The Council of Ministers determines the matters in which decision-making authority is vested, respectively, in the enterprise council, the general meeting of workers, the elected management, and the management committee.
5. In matters in which they have decision-making authority, the director acts in accordance with the decisions of the corporate bodies mentioned in Paragraph 4. Otherwise he manages the enterprise independently and with personal responsibility.

Section 5

The following provisions replace Section 13 of the Enterprise Law:

Section 13

1. Within the limits of the statutory regulations, the rules of organization and operation determine the enterprise's internal organization. These rules must provide the organizational structure most suitable for the performance of the enterprise's tasks, define the division of managing and decision-making authority, and specify the incentive system and control system.
2. At the enterprises that have separate subdivisions, the rules of organization and operation must define the economic independence and responsibility of the subdivisions, the mode of their participation in enterprise decisions, their economic interest in the success of their business and development activity, and their separate accounting system and incentive system.
3. Detailed regulations concerning the enterprise's internal organization and operation may be specified also in separate by-laws, within the limits of the rules of organization and procedure.

Section 6

The following provision replaces Section 15 of the Enterprise Law:

Section 15

When general management of the enterprise is entrusted to the enterprise council or the general meeting of workers, this body decides to hire and relieve the director. At enterprises under state supervision, the founding agency appoints and relieves the director.

Section 7

1. In Section 19, Paragraph 1, of the Enterprise Law, "director" should read "managing organ (enterprise council, meeting of delegates, elected management, or management committee), respectively its director."
2. In Section 19, Paragraph 2. and in Section 20, Paragraph 1, of the Enterprise Law, "director (or his deputy)" should read "the enterprise's managing organ, respectively its director."
3. The following provision replaces Section 21, Paragraph 2, of the Enterprise Law:
 2. The opinion of the enterprise's competent trade-union and KISZ organs must be taken into consideration when adopting the enterprise's rules of organization and operation. Within the scope specified by statute, the rules must be adopted in agreement with these organs.

Section 8

The following provision replaces Section 22, Paragraph 1, of the Enterprise Law:

1. Within the limits of the statutory regulations, the enterprise manages independently the assets entrusted to its care and the manpower it employs.

Section 9

The following provisions replace Section 23 of the Enterprise Law:

Section 23

It is a basic right, respectively a basic obligation, of the enterprise

- a. To efficiently use and augment the enterprise's material and intellectual resources;
- b. To prepare the enterprise's plans;
- c. To prepare the enterprise's balance sheet and its profit-and-loss statement;
- d. To set the enterprise's business and price policies, and to determine the structure of its products and services;
- e. To adopt the enterprise's rules of organization and operation;
- f. To exercise the employer's rights and assume his obligations, and to perform the personnel and labor tasks;
- g. To establish subsidiaries, and to participate in economic associations and partnerships;
- h. To protect social property, respectively to ensure the conditions necessary for its protection, and to organize the enterprise's system of internal control, information system and accounting system;
- i. To improve working conditions continuously and in conformity with the plan, to maintain industrial health and safety, and to provide safe conditions for production, operation and fire prevention;
- j. To organize socialist labor competitions;
- k. To satisfy, within the enterprise and under its conditions, the workers' demand for welfare, social and cultural services, education and sports.

Section 10

The following provisions replace Section 25 of the Enterprise Law:

Section 25

1. The enterprise--in the case specified in Section 26A, after it has received the special right or official license--may modify the scope of its activity.
2. The Council of Ministers may restrict an enterprise under state supervision in modifying the scope of its activity.

Section 11

The following provision replaces Section 27, Paragraph 1, of the Enterprise Law:

1. When it is being established, the enterprise must be provided with the assets necessary for its operation (initial capital).

Section 12

The following provision replaces Section 28 of the Enterprise Law:

Section 28

The assets that the enterprise manages may not be withdrawn from it. In the case of an enterprise under state supervision, the Council of Ministers may provide differently.

Section 13

The following subtitle and Section 30/A are added after the title of Chapter V of the Enterprise Law:

Forms of State Supervision and Management

Section 30/A

1. The forms of state supervision and management are:
 - a. Exercise of the founder's rights;
 - b. Supervision of legality when the enterprise is managed by the enterprise council or the general meeting of workers;
 - c. In the case of enterprises under state supervision, supervisory management and control;
 - d. Branch and functional management and control;
 - e. Market supervision; and
 - f. Public authority functions.
2. The agency authorized to exercise the founder's rights, supervision of legality, and supervisory management and control may transfer this authority, by mutual agreement, to another agency. This change must be entered in the register of enterprises.

Section 14

The following subtitle and Section 30/B are added after Section 30/A of the Enterprise Law:

Exercise of the Founder's Rights

Section 30/B

Pursuant to the present law and other statutory regulations, the founding agency is entitled

- a. To establish the enterprise;
- b. To give advance consent to the director's election and recall; respectively, in the case of an enterprise under state supervision, to appoint and relieve the director, and to exercise the employer's other rights in relation to him;
- c. To instruct the enterprise to engage in a specific economic activity;
- d. To terminate the enterprise.

Section 15

The following subtitle and Sections 30/C and 30/D are added after Section 30/B of the Enterprise Law:

Supervision of Legality

Section 30/C

1. Through supervision of legality the state checks whether the enterprise's
 - a. Rules of organization and operation, and its other by-laws are in accord with the statutory regulations and with its charter;
 - b. Its operations and decisions are in accord with the statutory regulations, the charter, and with the provisions of its by-laws.
2. Supervision of legality does not extend to checking the enterprise's operations and decisions from the viewpoint of economic expediency; to matters that fall within the scope of branch and functional management and control, market supervision or public authority functions; and to deciding on their merits individual cases that are open to labor dispute, court proceedings, or to administrative proceedings on the basis of separate statutes.

Section 30/D

1. The founding agency or--when a council established the enterprise--the specialized administrative agency of the Budapest Municipal Council or megye council executive committee supervises legality.
2. When the enterprise has violated a statutory regulation, its charter or its by-laws, the agency supervising legality
 - a. Warns the director in writing;
 - b. May propose that the enterprise's competent organ call to account the person who has violated the statutory regulation, the charter or the enterprise's by-laws;
 - c. May rescind the decision of the enterprise council, general meeting of workers, elected management, director or control committee, and may order the adoption of a new decision if necessary;
 - d. May convene the enterprise council, the general meeting of workers or the elected management, to restore legality of the enterprise's operation;
 - e. May suspend, respectively, the director and the elected management from the performance of their duties;
 - f. May propose to the Council of Ministers that the enterprise be designated an enterprise under state supervision.

Section 16

In Section 31, Paragraph 2, Item d, of the Enterprise Law, the words "and the deputy directors" are rescinded.

Section 17

The following provisions replace Section 34 of the Enterprise Law:

Section 34

1. The chief of the founding agency may suspend the director of an enterprise that is under state supervision, if the enterprise's operation conflicts with or seriously jeopardizes the realization of national economic objectives. In this case the founding agency may assign a commissioner to the enterprise, for a period not exceeding six months.

2. The commissioner manages the enterprise under the founding agency's direct supervision and in accordance with its instructions.

Section 18

1. The subtitle before Section 37 of the Enterprise Law is changed to read:
Branch and Functional Management and Control, Market Supervision, and Public Authority Functions
2. The following provision replaces Section 38 of the Enterprise Law:
Section 38
The minister (or central-agency chief) who manages the branch, the organ that exercises the founder's rights, the agency supervising legality, the agency exercising direct supervision, and the central market-supervising agency act in cooperation with one another. They keep one another informed in advance about important measures relating to the enterprise.

Section 19

The subtitle preceding Section 39 of the Enterprise Law is rescinded, and the following provision replaces Section 39:

Section 39

Separate statutes will regulate functional management and control (of planning, technical development, pricing, labor affairs, finances, etc.), market supervision, and public authority functions.

Section 20

The following subtitle replaces the subtitle before Section 40 of the Enterprise Law, and the following provision replaces Section 40:

Instructing the Enterprise to Undertake a Specific Economic Activity

Section 40

The enterprise may be ordered to undertake a specific economic activity in cases specified by law, a law decree, a decree or resolution of the Council of Ministers, if the economic objective cannot be achieved by other means.

Section 21

1. The following title replaces the title of Chapter VI in the Enterprise Law:
Cessation of the Enterprise
2. The following provisions replace Sections 42 and 43 of the Enterprise Law:
Section 42
 1. The enterprise ceases
 - a. When it is split up, consolidated or merged into another enterprise;
 - b. When it is dissolved in the course of liquidation.
 2. The founding agency may terminate an enterprise under state supervision also when
 - a. The enterprise's activity is no longer necessary for the national economy, or
 - b. The activity can be performed more economically within the framework of another enterprise.

Section 43

1. The decision on terminating the enterprise must specify the time when the enterprise will cease and also its legal successor, except when it ceases without a successor.

2. For the enterprise to cease, it must be crossed out in the register of enterprises. If the enterprise has been entered also in the register of firms, its cessation must be noted in this register as well.
3. When the enterprise is liquidated, the founding agency disposes of the assets left after satisfying the enterprise's obligations. Liquidation is governed by separate statute.

Section 22

The following provisions replace Sections 48-50 of the Enterprise Law:

Section 48

1. The trust is managed by its director general or board of directors. The board of directors comprises the trust's director general, and the trust enterprises' directors.
2. The authority of the trust's director general and board of directors must be defined in the trust's charter. The charter may specify that exclusively the board of directors exercises the trust's authority over the trust enterprises.

Section 49

1. The charter may vest the board of directors or the director general with the following authority: to instruct a trust enterprise to undertake a specific economic activity; to issue mandatory guidelines for a trust enterprise's operations; to reallocate a trust enterprise's assets in the interest of the trust's more efficient operation; or to declare that certain trust enterprises constitute a single economic unit from the viewpoint of fulfilling obligations to the state budget. In this case the trust must employ an internal system of accounting and management that ensures:
 - a. The trust enterprise's necessary economic independence and accountability, including opportunity to undertake investments on the basis of its own decisions;
 - b. The trust enterprise's economic self-interest linked to the success of its business and development activity and, from the trust's profit, a share commensurate with the trust enterprise's own activity.
2. If the trust enterprise has a bank loan, the lending bank must be consulted before reallocating the trust enterprise's assets.

Section 50

1. With due consideration for the opinion of the trust's board of directors, the founding agency appoints and relieves the trust's director general.
2. The trust's director general appoints and relieves the directors of the trust enterprises and exercises the employer's rights in relation to them.

Section 23

1. The following provision replaces Section 53, Paragraph 1, of the Enterprise Law:
 1. The present law does not affect the rights that separate statute ensures for the trade unions.
2. The following provision replaces Section 53, Paragraph 3, of the Enterprise Law:
 3. The Council of Ministers may set special regulations for the enterprises whose efficiency is persistently low.

Section 24

1. The following provision replaces Section 44, Paragraph 1, of Law No I/1971 on Councils (Council Law):
 1. The municipal council's executive committee appoints the directors of the council enterprises under its supervision, and also the chiefs and certain senior managers of council institutions.
2. The following provision replaces Section 64, Paragraph 1, Item b, of the Council Law:
 - b. (The chief of the specialized administrative agency) Supervises the council enterprises that are under state supervision, and manages the council institutions.
3. The chief of the Budapest municipal or megye specialized administrative agency appoints the directors of the council enterprises under his supervision, and also the chiefs and certain senior managers of the council institutions.

Section 25

1. This law decree will become effective 1 January 1985. Simultaneously, the provisions of the Enterprise Law's Section 3, Paragraphs 3 and 4, Section 7, Paragraph 2, Section 14, Sections 16-18, Section 22, Paragraph 3, second sentence, Section 24, Paragraph 1, Section 26, Paragraph 2, the subtitle preceding Section 29, Section 29, Section 33, Paragraph 1 and the second sentence of Paragraph 2, Sections 35, 41, 44, 51 and 52/A, and also Sections 1 and 2 of Law Decree No 20/1981, its Section 3, Paragraph 1, and Sections 7 and 8 will be rescinded.
2. When the present law decree becomes effective, the second sentence of Section 2, Paragraph 1, of Law No VII/1972 on National Economic Planning will simultaneously be rescinded.
3. Unless the enterprise's charter assigns the enterprise's general management to, respectively, the enterprise council and the general meeting of the enterprise's workers or the meeting of their delegates, the regulations governing enterprises under state supervision apply to the enterprise.
4. Until new charters are granted, the provisions of Section 52/A, Paragraph 1, apply to enterprises that have been established as small enterprises prior to 1 January 1985.

Pal Losonczi, chairman Imre Katona, secretary
Presidential Council of the Hungarian People's Republic

1979 PUBLIC FINANCES LAW AMENDED

Budapest MAGYAR KOZLONY in Hungarian No 46, 31 Oct 84 pp 784-787

[Law Decree No 25/1984 Amending Law No II/1979 on Public Finances]

[Text] Section 1

The following provision replaces Section 11 of Law No II/1979 (Public Finances Law, hereinafter PFL):

Section 11

In the law on the state budget, the National Assembly specifies:

- The provisions for using the budget's surplus;
- The manner of financing the budget's deficit, and within this the amount of borrowing from the bank of issue.

Section 2

The following provisions replace PFL's Section 17, Paragraph 2, Item b, and Paragraph 3, and simultaneously Paragraphs 4 and 5 are added:

(2. Unless the law on the state budget specifies otherwise, the procedure for modifying its estimates are as follows:)

- b. Leaving unchanged the councils' right to request supplementary appropriations and to redistribute their appropriations, the Council of Ministers may approve departures from the budget's other, specifically targeted appropriations, primarily from savings on individual items of expenditure, from surplus revenue, and at the expense of the state budget's reserves.
- 3. The Council of Ministers may order that the state guarantee the bank credits that enterprise-type economic organizations obtain.
- 4. The Council of Ministers may delegate its authority under Paragraphs 2 and 3, specifying the limits of delegated authority.
- 5. When it introduces the bill on the following year's budget and the bill on the budget's fulfillment, the Council of Ministers will report to the National Assembly on the measures adopted pursuant to Paragraphs 2 and 3, and on their effect.

Section 3

The following provisions replace PFL's Section 26, Paragraphs 3 and 4, and simultaneously the present Paragraph 4 is renumbered as Paragraph 5:

- 3. Foreign government lending and borrowing are within the competence of the Council of Ministers. Other foreign lending and borrowing or their

approval is within the competence of the Hungarian National Bank. Other financial institutions may borrow abroad or provide foreign loans with the authorization of the Hungarian National Bank.

4. The minister of finance, in agreement with the president of the Hungarian National Bank, may designate a financial institution with general authorization to act as a foreign-exchange bank. It will participate in international payments and trading in foreign currencies, and will provide financial services related to foreign trade.

Section 4

The following provisions replace PFL's Chapter V and its title:

Chapter V

The Banking System

Section 28

1. The banking system comprises the Hungarian National Bank, the banks, the specialized financial institutions, and insurance enterprises (hereinafter collectively: financial institutions).
2. The financial institution is a separate legal entity.
3. Within the system of public finances, financial institutions perform the tasks of issuing currency, providing credit, currency circulation, managing foreign exchange within specified limits, the organized circulation of bonds and other securities, and providing other financial services.
4. The financial institutions perform their tasks within the limits of the statutory regulations and regulation by the bank of issue (Section 29, Paragraph 2).

The Hungarian National Bank

Section 29

1. The Hungarian National Bank is the bank of issue of the Hungarian People's Republic, the national economy's central bank, the central agency of the socialist credit system and of foreign-exchange management and, pursuant to Section 25, the general foreign-exchange authority.
2. As the bank of issue, the Hungarian National Bank:
 - Has exclusive authority to issue bank notes and coins;
 - Is responsible for the realization of monetary and credit policies formulated in accordance with the approved national economic plan. On this basis, by regulating the money supply and with the other tools of monetary policy and credit policy, it asserts the national economic interest attached to preserving the purchasing power of the currency;
 - Within the framework of implementing the credit policy guidelines, regulates the financial institutions' credit operations, sets the applicable interest rates and undertakes the policy guidance and control of banks, specialized financial institutions, insurance enterprises, and other separate legal entities that are engaged also in banking; maintains credit relations with the other financial institutions; participates in regulating the circulation of securities;
 - Organizes the domestic system of payments and clearing, and sets the rules governing currency circulation.
3. The Hungarian National Bank may extend credit to the state budget only within the limits authorized by the National Assembly.

4. As the bank of issue, the Hungarian National Bank is accountable to the National Assembly for its credit relations with the state budget.
5. Unless statutory regulations provide otherwise, the president of the Hungarian National Bank as the bank of issue regulates the proportion of capital and fixed liabilities that financial institutions may lend or invest long term. The minister of finance and the president of the Hungarian National Bank share authority to regulate the financial institutions' permanent investments. General regulation of long-term and permanent investment may extend also to setting percentual or lump-sum limits on participation in individual ventures.

Section 30

1. The Council of Ministers issues the credit policy guidelines, in accordance with the national economic plan and the state budget, and with due consideration for the functions and responsibilities of the Hungarian National Bank as the bank of issue.
2. In addition to its functions as the bank of issue, the Hungarian National Bank as a financial institution also engages in banking operations. In particular, it
 - Holds deposits,
 - Provides credit for economic organizations and circulates the currency, and
 - Performs transfer, credit and other banking operations in conjunction with external economic relations, partially through authorized designated financial institutions.

Banks

Section 31

Banks, including cooperative savings associations, are financial institutions authorized to accept deposits from the circle of enterprise-type economic organizations, private individuals, councils, budgetary agencies, and foreign citizens and foreign legal entities specified in their charter; to conclude credit contracts with them and provide loans for them; to maintain their accounts and honor their written orders. In addition, they may perform any banking functions that their charter allows.

Specialized Financial Institutions

Section 32

A specialized financial institution may maintain accounts and hold deposits only in conjunction with business deals in which it is involved. The specialized financial institution's charter determines the scope of its activity. Within it and the limits set by statutory regulations, the specialized financial institution may undertake, on behalf of its founders, the tasks in conjunction with the financing of the development process, and also offer a specified range of financial services.

Insurance Enterprises

Section 33

1. Within the scope of their activity, insurance enterprises estimate the insurable risks, set their premiums, organize the pooling of probable losses, set aside the necessary reserves and fulfill the obligations specified in statutory regulations and the insurance policy.

2. Insurance enterprises act as underwriters, but the Council of Ministers may provide differently. The present insurance associations may continue their operations.
3. For insurance enterprises, statutes may set also regulations different from the ones applicable to financial institutions.

Establishment of Financial Institutions

Section 34

1. The Council of Ministers may establish a bank, a specialized financial institution or insurance enterprise--except an affiliated financial institution or the financial institutions mentioned in Paragraph 5--and specify the type of financial institution (Section 31, 32 or 33). The financial institution may be established also as a corporation. The Council of Ministers may authorize the minister of finance to establish, in agreement with the president of the Hungarian National Bank, a bank, specialized financial institution or insurance enterprise.
2. A separate statute regulates the formation of cooperative savings associations.
3. Financial institutions are entitled to establish affiliates. However, only a bank may establish an affiliated bank, and only an insurance enterprise may establish an affiliated insurance enterprise. The affiliated financial institution is a separate legal entity. The Council of Ministers issues detailed regulations governing affiliated financial institutions.
4. A specialized financial institution may be established, in the form specified by the Council of Ministers, also as an incorporated economic association. A budgetary agency with a budget heading of its own may establish a specialized financial institution only as an association in which also a financial institution is participating.
5. The cooperatives' national federations may establish specialized financial institutions to administer their mutual aid funds and joint development funds.
6. Approval of the minister of finance, granted in agreement with the president of the Hungarian National Bank, is necessary to establish specialized financial institutions pursuant to Paragraphs 4 and 5, and to define (or modify) the scope of their operations.
7. With permission, a financial institution may be formed in the Hungarian People's Republic also with foreign participation to conduct a specified activity, respectively foreign banks and financial institutions may establish agencies. Unless a law or law decree specifies otherwise, the Council of Ministers grants permission to establish a financial institution, and the minister of finance grants permission to establish an agency.

Sundry Provisions

Section 34/A

1. A separate legal entity outside the banking system also may perform specified banking functions on behalf of the Hungarian National Bank or another bank, and in other instances specified by statute.
2. The Council of Ministers regulates when and under what conditions economic organizations other than enterprise-type ones may obtain credit.

3. The minister of finance, in agreement with the president of the Hungarian National Bank, may authorize also banks other than the Hungarian National Bank to maintain bank accounts.

Section 5

The following provision replaces PFL's Section 43, Paragraph 4:

4. An enterprise-type economic organization must maintain the financial records required by law. Except the money for payments that may be made in cash, it must keep its funds on its account with the financial institution. It makes its payments through transfers to other accounts within the clearing system or in cash, within the limits set by the Hungarian National Bank.

Section 6

The following provisions replace PFL's Section 44:

Section 44

Under the conditions specified in separate statutory regulations, enterprise-type economic organizations may:

- a. Give each other loans;
- b. Provide commercial credit for each other, pay advances to each other or to citizens supplying them with goods or services, and accept advances from each other and from citizens whom they are supplying with goods or services;
- c. Transfer even permanently the disposable assets from their incentive fund to other economic organizations or into the joint funds managed by their federations.

Section 7

1. The present law decree will become effective 1 January 1985.
2. When the present law decree becomes effective, the following provision will simultaneously replace Section 10 of Law Decree No 9/1952 on Savings Deposits and the Depositors' Rights:

Section 10

The minister of finance issues detailed regulations on saving accounts.

Pal Losonczi, chairman Imre Katona, secretary
Presidential Council of the Hungarian People's Republic

1967 LAW DECREE ON HUNGARIAN NATIONAL BANK AMENDED

Budapest MAGYAR KOZLONY in Hungarian No 46, 31 Oct 84 pp 787-788

[Law Decree No 26/1984 Amending Law Decree No 36/1967 on the Hungarian National Bank]

[Text] Section 1

The following provisions replace Section 1 of Law Decree No 36/1967 on the Hungarian National Bank (hereinafter LD), and simultaneously Sections 1/A and 1/B are added:

Section 1

1. The Hungarian National Bank (hereinafter the Bank) is the bank of issue of the Hungarian People's Republic, the national economy's central bank, the central agency of the socialist credit system and foreign-exchange management, and the general foreign-exchange authority.
2. Within its functions as the bank of issue, the Bank:
 - a. Promotes national economic equilibrium and asserts the interests attached to maintaining the forint's purchasing power, by regulating the money supply and with the other tools available to the bank of issue;
 - b. Participates in shaping and implementing the national economic plans, and in preparing the decisions and statutory regulations concerning the economy's management;
 - c. Ensures implementation of the credit policy guidelines that the Council of Ministers sets;
 - d. In conjunction with its above tasks, issues mandatory instructions for the banks, specialized financial institutions, insurance enterprises, the other separate legal entities that engage also in banking, respectively for such funds, and is authorized to control them;
 - e. Organizes the national payments and clearing system, and sets the rules of currency circulation;
 - f. Has the exclusive right to maintain the bank accounts of the state, and of the organizations defined under Item d;
 - g. Accumulates gold and foreign-exchange reserves;
 - h. Within the limits of the authority delegated by the Council of Ministers, determines and publishes the forint's official exchange rates;

1. Performs its tasks stemming from membership in international monetary organizations, and other tasks defined by the Presidential Council or the Council of Ministers.

Section 1/A

1. The Bank is the central agency for the practical implementation of foreign-exchange policy and foreign-exchange monopoly. The minister of finance exercises through the Bank that part of his powers over foreign exchange which he has not reserved for himself or delegated to another agency. Accordingly, the Hungarian National Bank is the general foreign-exchange authority. The Bank regulates the credit, foreign-currency and foreign-exchange operations in conjunction with external economic relations and performs the tasks assigned it in the management of precious metals.
2. The Bank may authorize another financial institution or commission another economic organization to perform tasks pertaining to the management of foreign exchange.

Section 1/B

The Bank--separately from its functions as the bank of issue, but within the framework of regulation in this capacity--performs also banking operations as a financial institution. In particular, it holds deposits, provides credit, participates in ventures, and--with the exceptions specified by statute--maintains the bank accounts of budgetary agencies, social organizations, and economic organizations (Section 685, Item c, of the Civil Code).

Section 2

The following provisions replace LD's Section 2:

Section 2

1. The Bank has exclusive right to issue bank notes and coins.
2. The gold and foreign-currency reserves, and short-term loans and securities must cover the bank notes and coins in circulation.
3. The bank notes and coins that the Bank issues must be accepted at face value in payment of debts payable in Hungarian legal tender.
4. Counterfeit bank notes and coins must be surrendered without compensation.
5. Provided at least a contiguous half of a mutilated bank note is surrendered, the Bank will redeem its proportional value. The Bank charges a fee for replacing torn bank notes. Mutilated or defaced coins are not redeemed.
6. The Bank does not refund the value of destroyed bank notes or coins. Proceedings may not be instituted to have bank notes or coins declared void.

Section 3

The following provision replaces LC's Section 3, Paragraph 2:

2. The Bank functions under the direct supervision of the Council of Ministers.

Section 4

The following provision replaces LD's Section 4, Paragraph 3:

3. The Presidential Council appoints the Bank's president, and the Council of Ministers appoints the Bank's first deputy president and deputy presidents.

Section 5

The following provisions replace LD's Section 6:

Section 6

1. For any claim arising in conjunction with the Bank's performance of its functions as the bank of issue, the Bank has a statutory lien on a domestic debtor's property that has come into the Bank's possession for whatever reason, even if the statute of limitations has run out. On the basis of its statutory lien, the Bank may satisfy its claim from such property even without court proceedings, in any way it finds the most convenient.
2. Unless statute provides otherwise, the Bank's right of prior payment from the distress sale of the debtor's property ranks immediately after taxes.
3. In Hungary, a civil suit may be brought against the Bank only in Budapest, and the Bank--except in the case of lawsuits arising from employment--may bring civil suits against defendants in Budapest even when otherwise Budapest courts would not have jurisdiction.

Section 6.

The present law decree will become effective 1 January 1985. Simultaneously, the second sentence of TC's Section 8, Paragraph 1, and the last sentence of Section 8, Paragraph 2, will be rescinded; and in Section 8, Paragraph 1, the reference to Section 1, Paragraphs 2 and 4, will change to Section 1, Paragraph 2, and Section 1/A.

Pal Losonczi, chairman Imre Katona, secretary
Presidential Council of the Hungarian People's Republic

MARKET SUPERVISION REGULATED

Budapest MAGYAR KOZLONY in Hungarian No 47, 5 Nov 84 pp 812-814

[Decree of the Council of Ministers No 37/1984 on Market Supervision]

[Text] Section 1

1. The purpose of market supervision is to enhance the smooth development of the processes of circulation (procurement, sales, stockpiling, the population's supply and, in conjunction with all this, production); to promote the unfolding and effective functioning of economic competition; and to contribute to the development of foreign trade and of the domestic market, in agreement with economic policy and the national economic plan.
2. Market supervision is a unified and comprehensive government function, an integral part of managing the economy.
3. Market supervision does not extend to economic obligations stemming from international agreements, nor to economic activity in the interest of national defense.
4. Market supervision must be exercised basically by regulating circulation, through indirect market instruments. Direct instruments may be used--in accordance with the statutory regulations--exceptionally, within narrow limits, and in writing.

Section 2

The National Material and Price Office is the central agency in charge of market supervision, with nationwide jurisdiction. It directs, coordinates and exercises market supervision, within the limits of the statutory regulations.

Section 3

1. Within its market-supervising authority, the National Material and Price Office:
 - a. Continuously monitors and analyzes the processes of circulation, development of the balance of supply and demand, and the operation of the system of contracts;
 - b. Adopts measures to ensure that the various processes of circulation are smooth and coordinated;
 - c. Analyzes the development of competition in the market and prepares proposals to strengthen competition; takes action against economic behavior stemming from a monopoly situation detrimental to the interests of the national economy;

- d. Oversees enforcement of the statutory regulations banning unfair economic activity and takes necessary action in cases of violation;
 - e. Prepares proposals for the central regulation of product circulation (scope, extent, etc., of central allocation, product-distribution quotas and other regulations); in accordance with the provisions of separate statutory regulations, organizes and oversees enforcement of the central regulation of product circulation;
 - f. Decides--within the limits specified by the national economic plan and the state budget--to employ financial intervention in the processes of circulation, after consulting the ministry or other central agency concerned with the purpose of the intervention;
 - g. Performs the tasks of administering central stockpiles and of the central management of warehousing;
 - h. Participates in arranging barter agreements with socialist countries and in regulating such trade;
 - i. Performs as the price authority the tasks specified by separate statute.
2. The National Material and Price Office may issue regulations restricting the processes of circulation, in the interest of balancing supply and demand.
3. The National Material and Price Office:
- a. Organizes and operates the central information system necessary for the performance of its market-supervision tasks;
 - b. Holds market-supervision audits of legal entities and private persons engaged in economic activity;
 - c. Places at the disposal of the agencies concerned the information and experience it gains in the course of these tasks.

Section 4

The National Material and Price Office performs its market-supervision tasks in cooperation with the branch ministries and other central agencies (hereinafter: branch ministries), and with the participation of the council executive committee's specialized administrative agencies and of the social organizations concerned.

Section 5

The National Material and Price Office asserts the aspects of market supervision during the elaboration of the national economic plan and economic regulators.

Section 6

When the National Material and Price Office does not have authority to take some action that is necessary for the performance of its market-supervision tasks, it presents a proposal for such action to the competent agency.

Section 7

1. Among the branch ministries, the following have market-supervising authority:
- a. The Ministry of Industry (National Energy Management Authority) in relation to the production, distribution and use of energy;
 - b. The Ministry of Transportation in the economy's transportation branch;

- c. The Ministry of Agriculture and Food in relation to the production and processing of vegetables, potatoes, fruit and grapes;
 - d. The Hungarian Post Office in the economy's post and communication branch;
 - e. The Ministry of Domestic Trade for domestic trade in consumer goods;
 - f. The Ministry of Health regarding the processes of circulation related to the supply of health care;
 - g. The Ministry of Education regarding cultural and art services;
 - h. The National Water Affairs Office in the management of water resources.
2. Within their market-supervision authority, the branch ministries listed in Paragraph 1 perform the tasks specified in Section 3, Paragraph 1, Items a-d; prepare proposals for the central regulation of product circulation; organize and oversee, in cooperation with the National Material and Price Office, enforcement of the central regulation of product circulation; and perform as price authorities the tasks assigned to them by separate statute.

Section 8

The branch ministries listed in Section 7 in the areas not specified therein, and the other branch ministries perform the following market-supervision tasks in cooperation with the National Material and Price Office:

- a. Continuously monitor and analyze the processes of circulation, development of the balance of supply and demand, and the functioning of the system of contracts;
- b. Analyze the development of competition in the market;
- c. Adopt measures to ensure that the processes of circulation develop smoothly and in accord with the objectives of economic policy, and to promote effective competition (shortening of distribution channels, organizational changes, modernization of technologies, technical regulations, setting conditions for certain activities, licensing of activities, etc.); present proposals to the competent agencies for actions that would exceed their own authority;
- d. Oversee enforcement of the statutory regulations banning unfair economic activity and take necessary action in cases of their violation;
- e. Prepare proposals for the central regulation of product circulation; organize and oversee, in cooperation with the National Material and Price Office, the enforcement of the central regulations on product circulation;
- f. As price authorities, perform the special tasks assigned to them by separate statute.

Section 9

- 1. In its own branch, every branch ministry
 - a. Organizes and operates the information system that is necessary for the performance of the branch ministry's market-supervision tasks and is coordinated with the central information system (Section 3, Paragraph 3, Item a);
 - b. Conducts market-supervision audits of the legal entities and private individuals engaged in economic activity;
 - c. Makes available to the interested agencies its market-supervision information and experience.

2. The branch ministries cooperate with the National Material and Price Office in preparing for the Council of Ministers proposals, concepts, analyses and reports on market supervision.

Section 10

1. In the course of exercising market-supervision authority, an economic organization may be instructed to undertake a specific economic activity only exceptionally and in writing, when smooth operation of the processes of circulation cannot be achieved by any other means.
2. The instruction may set priorities for supplying the demand, determine the destinations and quantities of the sales, prescribe the production of certain products or their production volumes in the interest of smooth circulation, specify the amount of stock to be kept on hand, order the mandatory sale or redistribution of the stock, or the mandatory acceptance and storage of some product.
3. The chairman of the National Material and Price Office, respectively the heads of the agencies with market-supervising authority listed in Section 7, may issue such an instruction. Advance consent of the Council of Ministers is necessary when the instruction is to remain in effect for a longer period of time or is important.
4. When advance consent of the Council of Ministers is not required, the instruction may be issued by the chairman of the National Material and Price Office in agreement with the branch minister (central-agency head) concerned, respectively by the heads of the agencies with market-supervising authority listed in Section 7, in agreement with the chairman of the National Material Price Office.

Section 11

1. On the basis of the mutually exchanged information, the agencies participating in market supervision must take prompt and effective action that is necessary for disposition of the case based on its merits.
2. If the heads of the agencies concerned are unable to come to the required agreement, they must submit their dispute immediately to the Council of Ministers.

Section 12

This decree will become effective 1 January 1985. Simultaneously, Resolution of the Council of Ministers No 1060/1980 (28 Dec), Resolution No 1026/1982 (5 Jul) amending it, and Decree of the Council of Ministers No 33/1975 (29 Nov), Section 3, Paragraphs 2-4, and Section 9, will be rescinded.

Gyorgy Lazar,
Chairman of the Council of Ministers

ENTERPRISE PAY, INCENTIVE FUND, MANAGEMENT INCENTIVES REGULATED

Budapest MAGYAR KOZLONY in Hungarian No 47, 5 Nov 84 pp 826-827

[Decree of the Council of Ministers No 43/1984 on Enterprise Wage and Salary Regulation, the Incentive Fund's Use for Economic Stimulation, and the System of Economic Incentives for Senior Managers]

[Text] Decree's Scope

Section 1

Unless statutory regulation provides otherwise, the present decree applies to the following: state enterprises; trusts; trust enterprises; other state economic organizations operating under the rules governing enterprises; the enterprises of social organizations; the enterprises of combinations; industrial cooperatives; consumer, marketing and purchasing cooperatives; cooperative enterprises; the incorporated economic associations operating under the state enterprises' system of income regulation; subsidiaries; and small enterprises, with the exception of the small enterprises that provide consumer services and do not operate under the state enterprises' system of income regulation (hereinafter collectively: enterprises).

System of Enterprise Wage, Salary Regulation

Section 2

1. The purpose of the system of wage and salary regulation based on the workers' collective economic incentive is to encourage the enterprises to operate more efficiently, and simultaneously to help control the outflow of purchasing power in the form of wages and salaries.
2. To achieve the purpose specified in Paragraph 1, the following forms of wage and salary regulation may be employed:
 - a. Regulation of the wage and salary level,
 - b. Regulation of wage and salary increases, and
 - c. Central wage and salary regulation.
3. The form of wage and salary regulation to be employed at an enterprise must be specified according to its classification under the Central Statistical Office's uniform classification system of branches and sectors. The enterprise, with due consideration for the provisions of separate statutory regulations, may elect to employ a form of wage and salary regulation different from the one specified in this manner.
4. The parameters of the system of wage and salary regulation must be set with due consideration for the national economic plan.
5. On the wages and salaries or raises it pays its workers, the enterprise pays from its incentive fund a tax on earned income, in the manner and at the rates specified by separate statute.

Incentive Fund's Use for Economic Stimulation

Section 3

According to separate statute, the enterprise makes payments from its incentive fund to provide more economic incentive for its workers.

Senior Managers' System of Economic Incentives

Section 4

1. The enterprises for their senior managers, and the cooperatives for their senior officers (hereinafter collectively: senior managers), must set annual premium tasks linked to the enterprise's rate of return on assets. In addition, special premium tasks may be set as well. If the rate of return on assets and the tasks for special premiums are met, senior managers may be paid premiums.
2. In areas where the profit incentive's application is unfeasible or limited, or where other economic objectives besides the improvement of efficiency are of primary importance, the State Office of Wages and Labor Affairs may authorize the use of some other premium task.
3. Except in cases specified by statute, a senior manager may not receive any remuneration other than his personal basic salary (personal base pay in a cooperative) and the premiums specified in Paragraphs 1 and 2.

Section 5

1. In the absence of provisions to the contrary, the senior manager's premium is payable from the incentive fund.
2. The senior manager's premium must be included in the computation of his average pay as the basis of labor-law provisions, social-security contributions and charges for subsidized services.

Sundry Provisions

Section 6

1. The chairman of the State Office of Wages and Labor Affairs determines--in agreement with the chairman of the National Planning Office, the minister of finance, the National Council of Trade Unions, the National Council of Consumer Cooperatives, the National Council of Industrial Cooperatives, the National Council of Agricultural Cooperatives and, in cases specified by separate statute, the branch minister--the rules governing the system of wage and salary regulation, the use of the incentive fund for economic stimulation, and the economic incentives of senior managers, including the cases in which the withholding or reduction of the premium is mandatory.
2. The chairman of the National Office of Wages and Labor Affairs may determine--in agreement with the chairman of the National Planning Office and the minister of finance--the grounds on which the 1985 tax on earned income may be remitted exceptionally.

Section 7

1. This decree will become effective 1 January 1985.
2. When this decree becomes effective, Decree of the Council of Ministers No 62/1982 (30 Nov) on Enterprise Wage Regulation, Use of the Incentive Fund, and the System of Economic Incentives for Senior Managers--except its Section 13, Paragraph 2--and Decree of the Council of Ministers No 40/1983 (12 Nov) will simultaneously be rescinded. However, their provisions will still have to be used to compute the progressive profit tax and the senior managers' premiums and bonuses on the basis of the 1984 results.

Gyorgy Lazar,

Chairman of the Council of Ministers

FINANCE MINISTER REGULATES ENTERPRISE INCOMES

Budapest MAGYAR NEMZET in Hungarian No 47, 5 Nov 84 pp 828-838

[Decree of the Minister of Finance No 32/1984 on Enterprise Income Regulation, and the Formation and Use of the Incentive Fund]

[Text] Pursuant to the authority granted me under Section 18, Paragraph 3, of the Decree of the Council of Ministers No 40/1984 on Enterprise Income Regulation (hereinafter: EIR), acting in agreement with the chairman of the National Planning Office, the chairman of the National Office of Wages and Labor Affairs, the chairman of the National Material and Price Office, the National Council of Trade Unions and the cooperatives' national federations, and having consulted the branch ministers (central-agency heads) concerned, I hereby decree the following:

Decree's Scope

Section 1

1. The decree applies to the enterprises specified in EIR, Section 1.
2. The Central Statistical Office's uniform classification system determines the enterprises' classification according to branches and sectors.

Formation, Use of Welfare and Cultural Services Fund

Section 2

1. In accordance with the accounting regulations, the enterprise is obliged to allot directly to its welfare and cultural services fund the following amounts that are charged to miscellaneous expenditure:
 - a. Based on the derived total personnel as defined in Decree of the State Office of Wages and Labor Affairs No 15/1984 (hereinafter: derived total personnel) and including also the managers of stores and subdivisions operating under contract, an amount that the Council of Ministers specifies per person and year when the state budget is approved;
 - b. For the industrial apprentices, students of secondary specialized schools participating in apprenticeship training, and seasonally employed apprentices, none of whom are included in the derived total personnel, the cost of meals per person and day, less overhead and paid charges;
 - c. The actual costs, less revenues, of the maintenance and operation (hereinafter: net operating cost) of child-care establishments, up to a maximum that is the sum of the norm's two parts: the part that contains the variable costs for the given year and is based on the average

- number of children receiving care, and the part that contains the fixed costs for the given year and is based on capacity;
- d. The maintenance cost and depreciation of the fixed capital for welfare services;
 - e. The actual overhead costs of cafeteria meals; and, in the contracting construction industry, 60 percent of the employer's actual contribution to the statutory cost of raw materials for the day's main meal;
 - f. The scholarships to skilled workers enrolled as full-time students in higher educational institutions, and the (social) scholarships specified by statute.
2. The enterprise where, in the preceding year, the fund's part that may be formed commensurately with the number of persons the enterprise employs
 - Was less than the amount determined according to Paragraph 1, Item a, may increase the allocation rate by 100 forints a year, but may not exceed the aforementioned amount;
 - Was equal to or greater than the amount determined according to Paragraph 1, Item a, may not increase the allocation rate.
 3. The amount specified in Paragraph 1, Item a, must be allotted to the fund in four equal quarterly installments.
 4. The enterprise may allot to its welfare and cultural services fund the amount specified in Paragraph 1, Item c, also for the children receiving care in the child-care establishment of another enterprise or in a jointly operated child-care establishment, provided the enterprise is contributing to the operation of the given child-care establishment. However, the allotment per accommodated child may not exceed the amount determined according to Paragraph 1, Item c, respectively the amount actually transferred to the child-care establishment's operator.
 5. In addition to the amount specified in Paragraph 1, it is necessary to allot to the welfare and cultural services fund also the revenues of the establishments maintained from this fund (including the proceeds from the leasing or use of the establishments for other purposes, the transfers from the welfare and cultural services funds of other enterprises or agencies, and the payments from workers).
 6. When fixed capital for welfare and cultural services is operated or built jointly, the users may charge its maintenance and depreciation to miscellaneous expenditure and transfer this amount, by special agreement, to the fixed capital's administrator (or owner), who in turn credits this amount to miscellaneous income.
 7. The welfare and cultural services fund may be supplemented from the incentive fund, or with the pledged wages earned for work undertaken for this purpose voluntarily (during communist shifts, for example) or outside regular working hours.
 8. When spending from the welfare and cultural services fund exceeds the sum of the allocations pursuant to Paragraphs 1, 4 and 5, and the unspent balances carried over from preceding years (i.e., when the welfare and cultural services fund shows a deficit), the enterprise is obliged to cover the deficit from its incentive fund even if this results in a deficit or increased deficit of the incentive fund.
 9. The unspent balance of the welfare and cultural services fund may be spent in subsequent years or may be transferred to the enterprise's reserve.

Section 3

1. To satisfy the welfare and cultural needs of its workers, the enterprise may use its welfare and cultural services fund for the following expenditures:
 - a. To cover the costs of maintaining and operating (hereinafter: operating cost) of welfare establishments, including child-care establishments, and the fixed capital's maintenance cost and depreciation;
 - b. For subsidized cafeteria meals;
 - c. For assistance;
 - d. For social and cultural services, and sports;
 - e. For the workers' holidays;
 - f. For scholarships to skilled workers enrolled as full-time students in higher educational institutions, and for (social) scholarships specified by statute;
 - g. To pay the wages of workers directing sports;
 - h. For other social and cultural expenditures specified by separate statute as chargeable to the welfare and cultural services fund.
2. From its welfare and cultural services fund the enterprise may contribute to the operating costs of an establishment maintained by another enterprise or agency, for the purposes specified under Paragraph 1, Items a, b, d and e.

Section 4

1. The limits or amount of the available welfare and cultural services fund must be specified in the collective contract (or the cooperative's work rules), including a breakdown and mutual ratios of the expenditures under Section 3, Paragraph 1, Items a, b and h.
2. The enterprise must consult its trade-union organ (the industrial cooperative, its cooperative committee) before deciding what proportions of the welfare and social services fund are to be used for the maintenance of the welfare establishments' fixed capital, and for scholarships under Section 2, Paragraph 1, Item f, and expenditures under Item g. The trade union (the cooperative committee of the industrial or other cooperative) decides the other items of expenditure--assistance; social and cultural services, and sports; and workers' holidays--after consulting the enterprise's management.

Section 5

1. The enterprise may build or purchase welfare (social, cultural and sports) establishments (fixed capital)--including the development of existing establishments and the procurement of the first stock of expendables for new establishments--only from its available incentive fund.
2. From its incentive fund the enterprise may contribute, unless prohibited by statute, toward the construction or development of a welfare establishment at another organization, including the procurement of the first stock of expendables for the new establishment.

Formation, Use of Reserve

Section 6

1. From its profit the enterprise may set aside a reserve when it prepares its annual profit-and-loss statement.

2. The enterprise keeps the reserve formed pursuant to Paragraph 1 on its current account and uses it to finance current operations or to supplement the incentive fund, even during the year. However, the reserve's use to supplement the incentive fund during the year--including the payment of an advance on profit tax pursuant to Section 3--may not exceed the reserve's actually available amount. The amount available in the incentive fund may be exceeded to the extent of the reserve used to supplement the incentive fund during the year.
3. When the enterprise uses its reserve to supplement its incentive fund during the year, it must pay an advance equal to the profit tax on the amount used, at the time when the next advance on profit tax is due after the reserve's use. The unspent reserve available when the profit-and-loss statement for the report year is prepared may be carried over into the following year (or years).
4. The industrial cooperative, the consumer, marketing and purchasing cooperative, and the enterprise whose interests are represented by the National Council of Industrial Cooperatives, the National Council of Consumer Cooperatives or the National Council of Agricultural Cooperatives, may make a direct and tax-free contribution from its reserve to the Mutual Aid Fund, in the manner specified by separate statute. The loan or grant obtained from the Mutual Aid Fund must be placed in the reserve, and the obtained loan is repayable from the reserve. A separate decree regulates the use of the Mutual Aid Fund.
5. An enterprise may transfer its reserve, and accept contributions to it, also for other purposes, in the manner and to the extent specified by statute.

Profit Tax

Section 7

1. The base of the profit tax is the profit shown in the balance sheet for the report period defined in Section 23, Paragraph 1 (hereinafter: profit).
2. When computing the base of the profit tax, the following must be deducted from the enterprise's profit:
 - a. The amount of profit set aside as reserve when preparing the profit-and-loss statement for the report period;
 - b. In the case of the cooperatives and cooperative enterprises, including their incorporated economic associations, that are affiliated with the National Council of Industrial Cooperatives, National Council of Consumer Cooperatives or National Council of Agricultural Cooperatives, the amount of their contribution toward the costs of maintaining the national federation; in the case of cooperatives, the amounts paid out as dividend on the members' shares or special-purpose shares; and in consumer, marketing and purchasing cooperatives, the amount they may contribute, according to separate statute, to the Members' Incentive Fund;
 - c. The installments that are due on state loans for central investments and are payable from the profit before taxes;
 - d. The installments that are due on state loans provided as state aid for enterprise investments and are payable from the profit before taxes, and the amount of the capital use charge payable on the development-fund grant from the state;

- e. Other amounts specified by statute or prescribed by the minister of finance.
- 3. When computing the base of the profit tax, the enterprise's profit must be increased by the amount of the reserve (Section 6, Paragraphs 2 and 3) and entrepreneurial reserve (Section 22) used during the year, including also the advance on profit tax, and by the reserve or entrepreneurial reserve used in the profit-and-loss statement for the report period.
- 4. When computing the base of the profit tax, the following must be regarded as items that augment (or modify) the tax base:
 - a. The amount of the fines and penalties borne by the enterprise and charged to miscellaneous expenditure according to the accounting regulations, less the amounts passed on and the penalties retained (if the net balance determined in this manner is negative, the base of the profit tax may not be reduced for that reason);
 - b. Other amounts specified by separate statute.*
- 5. Profit tax must be paid subsequently on the remuneration, and the cost reimbursements charged to costs that financial, economic or internal audits found to be irregular, and on the irregular transfers of profit.
- 6. The profit tax must be reduced by the amount of the tax credit pursuant to Supplement 1.
- 7. When an international agreement on the avoidance of double taxation so requires, the amount of profit tax must be reduced as specified in the international agreement.

Wage Tax Section 8

- 1. The enterprises listed in Supplement 2, Article I, will pay according to the departures specified therein the portion of their profit tax that falls under EIR Section 11, Paragraph 2, Item a.
- 2. Supplement 2, Article II, contains the other expenditures in the nature of personal income that fall under EIR Section 11, Paragraph 2, Item b.

Formation, Use of Incentive Fund Section 9

The accounting and reporting regulations on the formation and use of the enterprise's incentive fund are contained in the schedule of accounts applicable to the enterprise.

Section 10

In addition to the profit after taxes pursuant to EIR Section 12, Paragraph 1, the following must be allotted to the incentive fund:

- a. The depreciation of the enterprise's fixed capital, including the fixed capital that is used to provide welfare services and whose depreciation must be credited to the incentive fund and charged to the welfare and cultural services fund; furthermore, income derived from the utilization and salvaging of fixed capital;

*Decree of the Minister of Finance No 41/1972 (20 Dec) on the Insurance Contracts of State and Public Agencies and the Compensation of the Losses Sustained by Budgetary Agencies, as amended by the Decree of the Minister of Finance No 47/1975 (22 Nov).

- b. The amount that reduces the profit tax's base pursuant to Section 7, Paragraph 2, Items c and d;
- c. The amount permanently transferred from the council's resources, the co-operatives' Joint Development Fund or another organization's incentive fund;
- d. The incentive fund or profit after taxes due from an incorporated economic association, an economic association operating with foreign participation, or from a subsidiary;
- e. The redemption of, or the installment due on, a bond that the enterprise purchased or issued, and the proceeds from the sale of purchased bonds;
- f. Charged to miscellaneous expenditure, the amount for investments to promote the employment of workers whose ability to work has been declared impaired on the basis of Joint Decree of the Minister of Health and Minister of Finance No 8/1983 (29 Jun), up to 30 percent of the wages paid handicapped workers the preceding year and at most 0.1 percent of the preceding year's total wage bill;
- g. The enterprise's income in the nature of prizes, the amounts awarded with the Red Banner of the Council of Ministers and the Central Council of Trade Unions, and with the title of Outstanding Enterprise;
- h. The amount allotted to the fund by public administration agencies or on the basis of statutory regulations;
- i. Other amounts provided by separate statute.

Section 11

- 1. The incentive fund must be used for expenditures in the following sequence:
 - a. To meet obligations toward the state;
 - b. To meet obligations toward the financial institution, to redeem or pay the installments due on bonds sold to the public, and to repay credit advancing the mandatory reserve fund;
 - c. To pay the fees of innovators and of collaborators on the innovations, also rewards from the profit-incentive provisions, and rewards to workers with an incentive linked to enterprise income [gross sales];
 - d. To offset the deficit of the welfare and cultural services fund;
 - e. After meeting the obligations under Items a through d, to offset the loss, using also the profit tax that the state budget refunds on the basis of the tax rate that was in effect the year preceding the loss;
 - f. To replenish circulating capital;
 - g. To settle other debts and obligations (payable from the incentive fund) to legal entities or individuals;
 - h. To redeem or pay the installments due on the bonds that the enterprise issued for purchasers other than the public;
 - i. To repay the amounts borrowed from the mandatory reserve fund under the earlier regulations (to meet the obligation under Section 20).
- 2. Besides the expenditures specified in Paragraph 1, the enterprise may decide to use the incentive fund for the following purposes:
 - a. To provide their own resources necessary to obtain credit;
 - b. To finance development-related expenditures;
 - c. To form, in accordance with the provisions of Joint Decree of the Minister of Finance and the Minister of Construction and Urban Development No 48/1982 (7 Oct), a housing construction fund necessary to aid the workers' housing construction;

- d. To provide the forint deposit required in conjunction with the importation of machinery and equipment that qualify as investments;
- e. To transfer, permanently or temporarily, assets from the incentive fund to an enterprise, institution, council, cooperative or incorporated economic association;
- f. To purchase bonds;
- g. In the case of cooperatives, cooperative enterprises and their incorporated economic associations, for transfers to the Mutual Development Fund;
- h. To provide economic incentives for the workers, in accordance with Decree of the State Office of Wages and Labor Affairs No 16/1984;
- i. To provide economic incentives for the workers directly involved in the R&D result that is intended for practical application at the R&D center's own enterprise (Section 19);
- j. To supplement the welfare and cultural services fund;
- k. For other purposes specified by separate statute;
- l. To pay the premiums of senior managers.

Incentive Fund's Transfer

Section 12

- 1. In case of the incentive fund's temporary transfer pursuant to Section 11, Paragraph 2, Item e, including the purchase of bonds, the transferer and the recipient agree on the duration of the transfer and the interest payable. The recipient or the issuer of the bonds charges the interest payments to cost, and the transferer or owner of the bonds credits the interest payments to proceeds from sales.
- 2. In case of the incentive fund's permanent transfer pursuant to Section 11, Paragraph 2, Item e, the transferer and recipient agree on the transferer's share of the return on the transferred incentive fund. The recipient will pay this share and charge it to miscellaneous expenditure, and the transferer will credit it to miscellaneous income.
- 3. The enterprises whose annual balance sheet shows a loss or a deficit of their incentive fund may not transfer assets from their incentive fund to the councils.

Capital Levy

Section 13

- 1. Supplement 3 contains the rules for computing the base of the capital levy specified in EIR Section 13.
- 2. The enterprises listed in Supplement 3 pay their capital levy according to the departures specified in the mentioned supplement.

Accumulation Tax

Section 14

With the exceptions listed in Supplement 4, the rate of the accumulation tax specified in EIR Section 14 is 18 percent. Supplement 4 contains the rules for computing the tax base.

Tax on Earned Income

Section 15

The enterprise is obliged to determine on the basis of Decree of the State Office of Wages and Labor Affairs No 15/1984 the amount of the tax on earned

income due under EIR Section 15 on the wages and salaries or raises paid (accounted) to its workers.

Section 16

1. The tax liability pursuant to Sections 13 and 14 must be met from the current year's available incentive fund.
2. The tax liability pursuant to Section 15 must be met after preparing the profit-and-loss statement for the current year.

Formation, Use of Profit Share

Section 17

1. On the basis of an R&D contract, the enterprise may also share in the profit of the customer who commissioned the research and development (hereinafter: profit share).
2. The enterprise that does the research and development credits its profit share to other income. It may use up to 80 percent of the profit share to make profit-incentive provisions for the current year, pursuant to Section 18. The enterprise's chief executive may reduce this limit to 50 percent.

Section 18

1. The amount that can be earmarked for profit-incentive provisions, less the municipal or village contribution [to the local council's budget and development fund] and the profit tax pursuant to Section 7, may be used for rewards in accordance with Paragraph 2.
2. From the amount that can be earmarked for profit-incentive provisions, rewards may be paid primarily to those workers who directly participated, fruitfully collaborated and did outstanding work in solving the tasks and producing the results that enable the enterprise undertaking the research and development to make profit-incentive provisions. A reward may be paid only in accordance with the stipulations of the agreement that the enterprise undertaking the research and development and the worker concluded in advance.
3. The rewards paid pursuant to Paragraph 2 are not in the nature of wages, are subject to general income tax, and are not included in average earnings, nor in the base for computing sick pay and pensions.
4. The unspent balance of the amount for rewards pursuant to Paragraph 2 is a part of the incentive fund.

Section 19

1. When the results of the successfully completed research and development are being applied at the R&D center's own enterprise, payments may be made from the incentive fund to those who contributed to the results.
2. The payments may be made only on the basis of an agreement concluded in advance between the enterprise and the worker of its R&D center.
3. The payments pursuant to Paragraph 1 are not in the nature of wages, are subject to general income tax, and are not included in average pay, nor in the base for computing sick pay and pensions.

Transitory Provisions

Section 20

1. With due consideration for the provisions of the present decree's Section 11, the amount borrowed from the mandatory reserve fund that has been

reported and kept on record in accordance with the provisions of the Decree of the Minister of Finance No 35/1983 (12 Nov), Section 21, Paragraph 3, must be repaid from the incentive fund after the profit-and-loss statement for 1984 will have been prepared. From the installment due, the remainder specified in Paragraph 2, Item d, must be transferred to the bank account designated for this purpose.

2. The amount repayable to the mandatory reserve fund pursuant to Paragraph 1 may be used in the stated sequence for the following purposes:
 - a. If the enterprise, on the basis of the regulations that were in force earlier, has to pay installments on credit it obtained to advance the mandatory reserve fund, it may use the amount repayable to the mandatory reserve fund to meet this obligation, up to the amount of the installments due;
 - b. At most 30 percent of the balance in excess of the amount specified in Item a may be used to subscribe to a bond issued for this purpose;
 - c. After subtracting the amount specified in Item b, 15 percent of the remainder may be used to augment the reserve, respectively the foreign-trade enterprise's entrepreneurial reserve pursuant to Decree of the Minister of Finance No 36/1983 (12 Nov). If the enterprise does not elect to subscribe to a bond, then its reserve--the entrepreneurial reserve in the case of enterprises in the foreign-trade sector--may be increased by 15 percent of the remainder after subtracting from the repayable amount the equivalent of the obligation under Item a;
 - d. The enterprise--except the cooperative, the cooperative enterprise and their incorporated economic associations operating under the rules of the system of income regulation applicable to state enterprises (in this item: the cooperative)--must write off the incentive fund the remainder that is left after subtracting the amount under Item c and has to be transferred to the bank account designated pursuant to Paragraph 1. The enterprise is obliged to report to the financial institution maintaining the designated bank account how much has been subtracted from the repayable amount. The cooperative must place this remainder in a blocked mandatory reserve fund. The cooperative's competent corporate organ may transfer this remainder to the National Mutual Aid Fund, in accordance with the guidelines issued by the national federations. The national federations and the Ministry of Finance will agree on the principles of using [the transferred amount];
 - e. The cooperatives' incorporated economic associations operating according to the rules of the system of income regulation applicable to state enterprises may transfer to the National Mutual Aid Fund a part of the remainder that is commensurate with the cooperatives' share in the economic associations' capital and has to be placed in a blocked mandatory reserve fund. The procedure under Item d, prescribed for state enterprises, must be followed regarding the remainder's other part that is commensurate with the rest of the shares in the economic associations' capital.
3. The enterprise that in the report year is unable to meet its obligation to repay the mandatory reserve fund while maintaining the sequence pursuant to Section 11, Paragraph 1, and is able to document its inability in a verifiable manner, may elect to defer its obligation to repay until the following

year, but not later than the year in which the last installment is due. Regarding the deferred installments, the obligation to repay may be reduced by the amounts calculated pursuant to Paragraph 2, Items b and c.

Section 21

1. After the preparation of the profit-and-loss statement for 1984, the net balances (the net balances adjusted in the profit-and-loss statement in the case of Items a, b, g, h and j) of the following funds must be allotted to the reserve:
 - a. The risk fund formed from the profit share (Decree of the Minister of Finance No 81/1982, 30 Nov);
 - b. The planning-development and risk fund (Decree of the Minister of Finance No 57/1975, 22 Nov);
 - c. The price risk fund of trade in consumer goods, with the exception of the amount on the price risk fund's separate account (Decree of the Minister of Domestic Trade No 24/1979, 30 Dec);
 - d. The price risk fund of the enterprises trading in capital goods (Decree of the National Material and Price Office Chairman No 16/1981, 6 Aug);
 - e. The risk fund of economic organizations engaged in the wholesale procurement of potatoes, vegetables and fruit (Decree of the Minister of Domestic Trade No 1/1982, 16 Jan);
 - f. The risk fund of foreign tourism (Decree of the Minister of Domestic Trade No 9/1975, 30 Aug);
 - g. The export price differential reserve (Decree of the Minister of Finance No 4/ /1981, 31 Jan);
 - h. The enterprise contingency reserve for nonruble-denominated re-export transactions (Joint Decree of the Minister of Finance and the Minister of Foreign Trade No 108/1981, PK [PENZUGYI KOZLONY] No 10);
 - i. The prime contractor's performance-bond risk fund for foreign turnkey construction projects (Section 10 of Joint Decree of the Ministry of Foreign Trade, Ministry of Finance, and the Hungarian National Bank No 9/1975, KkE [KULKERESKEDELMI ERTESITO] No 1);
 - j. The enterprise price reserve fund (Decree of the Minister of Finance No 22/1979, 1 Nov);
 - k. The container replacement fund (Decree of the State Material and Price Office Chairman No 7/1976, 14 Sep);
 - l. The prime contractor's investment-related risk fund (Joint Decree of the Minister of Finance and the National Material and Price Office Chairman No 35/1982, 1 Aug);
 - m. Other funds formed on the basis of special permission;
 - n. The reserve fund of small enterprises (Decree of the Minister of Finance No 71/1982, 30 Nov, as amended by Decree of the Minister of Finance No 69/1983, 30 Dec).
2. Following the preparation of the profit-and-loss statement for 1984, the net balances of the development fund and the profit-sharing fund must be transferred to the incentive fund.

Section 22

1. The entrepreneurial reserves that the foreign-trade enterprises formed after preparing their profit-and-loss statement for 1983 may be used for the following objectives:

- a. To supplement the own resources that the domestic partner enterprises participating in an economic association (or partnership) must have to obtain credit;
 - b. In the case of participation in a partnership for the expansion of export, to pay in the share of the initial or additional capital;
 - c. To provide the fixed and circulating capital for foreign business ventures, economic associations with foreign participation, or partnerships in which foreigners hold an interest, or to advance the producer's capital contribution when a Hungarian production enterprise is included among the founders;
 - d. To provide all or a part of the capital necessary to start prime contracting of turnkey construction projects abroad;
 - e. To partially offset the losses of joint ventures or partnership co-operations arising in foreign-trade work;
 - f. To expand the marketing organization abroad;
 - g. To finance the development of trade;
 - h. To develop foreign trade's infrastructure (warehousing, for example).
2. When using the entrepreneurial reserve for the objectives pursuant to Paragraph 1, the provisions of Section 6, Paragraphs 2 and 3, must be observed.

Rules of Procedure

Section 23

1. The enterprise's tax liability starts the day it begins its economic activity and continues until the enterprise ceases. The reporting period runs from the first day of the calendar year (in the case of enterprises formed during the calendar year, from the day the enterprise begins its economic activity) to the last day of the calendar year.
2. When the enterprise that has ceased has a successor, the latter is responsible for meeting the tax liability of the former enterprise.
3. The enterprise under liquidation must meet its tax liability on the basis of its balance sheet as of the day that liquidation begins.
4. When a final decision of the tax authority establishes, based on a report filed by the enterprise (internal audit) or on a financial or economic audit, that the balance sheet states incorrectly the enterprise's obligations to the state budget and its remuneration payments, the correct amount must be determined in accordance with the statutory regulations that were in force at the time when the mistake was made. The difference must be handled in accordance with the accounting regulations, in such a way that the settlement of accounts with the state budget reflects the rates specified by statute.
5. The statutes on the rules of procedure for financial and economic audits, respectively for the tax administration of enterprise-type economic organizations, and on the general rules of administrative procedure apply to the settlement of tax liabilities, and to the measures that are to be adopted in the case of omissions.

Final Provisions

Section 24

1. This decree will become effective 1 January 1985. Its provisions, with the exception of Section 20, must be applied for the first time in 1985, or when preparing the profit-and-loss statement for 1985.

2. The provisions of Section 20 must be applied already when preparing the profit-and-loss statement for 1984.
3. When this decree becomes effective, the following will simultaneously be rescinded:
 - a. Decree of the Minister of Finance No 35/1983 (12 Nov);
 - b. Decrees of the Minister of Finance Nos 5/1973 (21 Jan), and 42/1968 (28 Dec) as amended by the former;
 - c. Decrees of the Minister of Finance Nos 23/1981 (28 Aug), 38/1982 (2 Aug), 84/1982 (4 Dec), 15/1983 (4 Jun) and 14/1984 (27 Mar), and also No 32/1975 (3 Aug) as amended by the preceding decrees;
 - d. Decrees of the Minister of Finance No 34/1979 (1 Nov), and No 57/1975 (22 Nov) as amended by the former;
 - e. Joint Decree of the Minister of Finance and of the Minister of Construction and Urban Development No 16/1976 (23 Jun);
 - f. Decrees of the Minister of Finance No 48/1981 (31 Oct), and No 22/1979 (1 Nov) as amended by the former;
 - g. Decrees of the Minister of Finance No 66/1981 (28 Dec), and No 4/1981 (31 Jan) as amended by the former;
 - h. Section 6, Paragraph 2, of Decree of the Minister of Finance No 8/1982 (8 Mar);
 - i. Decrees of the Minister of Finance No 14/1983 (4 Jun), and No 18/1982 (1 Jun) as amended by the former;
 - j. Decree of the Minister of Finance No 23/1982 (1 Jun);
 - k. Section 7, Paragraph 2-4, of Joint Decree of the Ministry of Finance and the National Material and Price Office Chairman No 35/1982 (1 Aug);
 - l. Section 11 of Joint Decree of the Minister of Finance and the Minister of Construction and Urban Development No 48/1982 (7 Oct);
 - m. Decree of the Minister of Finance No 69/1983 (30 Dec), and No 71/1982 (30 Nov) as amended by the former;
 - n. Decree of the Minister of Finance No 37/1983 (12 Nov), and No 81/1982 (30 Nov) as amended by the former;
 - o. Section 3, Paragraph 4, Item b, of Decree of the Minister of Finance No 34/1983 (3 Nov);
 - p. Decree of the Minister of Finance No 36/1983 (12 Nov);
 - r. Section 10 of Joint Decree of the Ministry of Foreign Trade, Ministry of Finance and the Hungarian National Bank No 9/1975 (KULKERESKEDELMI ERTESITO No 1), as amended by Joint Decrees Nos 9/1979 (KULKERESKEDELMI ERTESITO No 11), 4/1983 (KULKERESKEDELMI ERTESITO No 7), and 2/1984 (KULKERESKEDELMI ERTESITO No 3); and
 - s. And Joint Decree of the Minister of Finance and the Minister of Foreign Trade No 108/1981 (PENZUGYI KOZLONY No 10).

[Paragraph 4 missing, or Paragraphs 5 and 6 misnumbered.]

5. When this decree becomes effective, Decrees of the Minister of Finance Nos 18/1979 (1 Nov), 27/1980 (30 Oct) as amended by the former, and 8/1984 (1 Feb) will also be rescinded, but their provisions will still be applicable in 1985 to partnerships in which there is a foreign partner.
6. When this decree becomes effective, the following new Paragraph 3 will simultaneously be added to Section 14 of Decree of the Minister of Finance No 22/1978 (19 Sep) on the Financial Conditions for the Establishment and Operation of Economic Partnerships, and the numbering of Paragraphs 3 to 5 will change to Paragraphs 4 to 6:

3. With the advance consent of the minister of finance, the joint enterprises may operate under a simplified system of financial participation, incentives, accounting and statistical reporting, provided the joint enterprises meet the criteria specified in Joint Directive of the Minister of Finance and the Minister of Justice No 347/1981 (PENZUGYI KOZLONY No 25).

Dr Istvan Hetenyi,
minister of finance

Supplement 1

Pursuant to Section 7, Paragraph 6, the tax credits that reduce the amount of profit tax due are as follows:

1. The proportions, specified below, of the interest on credits and loans for the following purposes:

	Percent of interest Paid from incentive <u>fund</u>	Charged to <u>cost</u>
Investments aided from the appropriation for credits to expand the stock of exportable goods	33	11
Investments aided from the appropriation for energy rationalization credits	33	11
Investments to conserve water and improve its quality	33	11
Medium-term credits to advance circulating capital in conjunction with investments to expand the stock of exportable goods	25	8
The medium-term, special-purpose foreign turnkey construction credit's portion related to the expansion of the stock of exportable goods	25	8
Short-term credit to finance receivables from hard-currency export	25	8
Circulating-capital credit obtained to finance housing construction for direct sale and repayable from the proceeds	25	8
Development projects aided from separate allocation for credits to save materials and utilize scrap	25	8

The corresponding tax credits may be claimed also for the state loans provided from the appropriations for rationalizing energy consumption, saving materials and utilizing scrap.

2. The equivalent of 10 percent of the proceeds from certain industrial, construction-industry, and personal consumer services for the public, less the value of the materials and parts billed. If the payable profit tax is less than the tax credit, the tax credit's balance may be applied, in the following sequence, also against the capital levy, accumulation tax, and wage tax due.

The enterprise is not entitled to a tax credit against profit tax on the following activities:

- Repair and maintenance of jewelry (SZTJ [Service Activities List] 101-29-01);
- Making custom-made products to measure, except orthopedic shoes (SZTJ 101-83, SZTJ 101-84);
- Home cleaning (SZTJ 709-21-02);
- Photography (SZTJ 709-12);
- Other personal services for the public, with the exception of the family assistance service (SZTJ 709-19, except SZTJ 709-19-02-01).

3. Seventy-five percent of the profit tax on the balance-sheet profit, multiplied by the ratio of the proceeds from R&D activity to total sales. Supplement 5 lists the activities that qualify for credit against profit tax.
4. At the foreign-trade enterprise that belongs to a partnership authorized to pool the partners' incentive funds for use as venture capital in the expansion of export, or has special permission from the ministers of finance and foreign trade to use its incentive fund in this manner, at most 5 percent of the profit tax's base. In case of financial participation in the partnership for the expansion of export, however, the tax credit may not exceed the amount of the actual investment (share or capital contribution, for example).
5. The credit against profit tax that is provided as indirect state aid pursuant to Article I, Paragraph 2, of Joint Announcement of the Minister of Finance and the Minister of Foreign Trade No 328/1975 (PENZUGYI KOZLONY, No 39), and the credit against profit tax under Section 7, Paragraph 1, of Decree of the Minister of Finance No 43/1979 (1 Nov).
6. Half of the supplementary wages of homeworkers and part-time workers earning less than 1500 forints a month, i.e., 155 forints per person and month.
7. At enterprises belonging to specialized subsector 5173, Catering to Foreign Tourists, 25 percent of the profit tax due.

Supplement 2

Article I

The following departures apply to the portion of wage tax payable pursuant to Section 8, Paragraph 1:

1. In sector 21, Contracting Construction Industry, with due consideration for Paragraph 2, the rate of the wage tax is 6 percent of the wage costs, and 40 percent of the sum of the costs of wage-type benefits [paid vacations, lunch breaks and time off] and of the domestic travel expenses and per diem allowances.
2. In subsector 211, Building Construction Industry, the rate of the wage tax for 1985 will temporarily be 50 percent of the amount computed pursuant to Paragraph 1.

3. The rate of the wage tax for 1985 will temporarily be 4 percent for the following enterprises:
 - In specialized subsector 5152, Retail Trade in Foods;
 - In specialized subsector 5156, Retail Trade in Groceries;
 - In subsector 518, General Trade;
 - In specialized subsector 5122, Wholesale Procurement of Vegetables and Fruit;
 - In specialized subsector 5171, Commercial Catering;
 - In specialized subsector 5173, Catering to Foreign Tourists;
 - Research institutes and the R&D enterprises belonging to specialized subsector 7417;
 - The Muvelt Nep Book Distribution Enterprise (Muvelt Nep Konyvterjeszto Vallalat), and the State Book Distribution Enterprise (Allami Konyvterjeszto Vallalat).
4. The following wage costs are exempt from wage tax:
 - Of passenger service, in subsector 411, Rail Transport;
 - Of passenger service, in specialized subsector 4122, Highway Transport of Passengers and Freight;
 - Of passenger service, in specialized subsector 4141, Navigation;
 - Of the traditional postal services (mail, newspaper delivery, acting as the bank's intermediary, postal telegrams) in sector 42, Post Office and Telecommunication (the Ministry of Finance will directly determine the way to compute the tax exemption);
 - In specialized subsector 1111, Coal Mining, and in the uranium mines belonging to specialized subsector 1119, Mining of Other Ores and Minerals; and
 - Wages paid to the handicapped.

Article II

The rate of the wage tax on expenditures that fall under Section 8, Paragraph 2, is 10 percent even in cases when the provisions of Article I, Paragraphs 1-4, apply. For the purpose of this tax rate, the other expenditures in the nature of personal incomes are as follows:

- The amount used to supplement the welfare and cultural services fund or to offset its deficit;
- The amount charged to the incentive fund pursuant to Section 6, Paragraph 1, of Decree of the Minister of Finance No 1/1983 (1 Jan); and
- The contest prizes paid from the incentive fund.

Supplement 3

Article I

Enterprise's Own Assets

1. The enterprise's own assets include the internal resources that the enterprise retains to augment its financial resources, from the profit after taxes under the system of enterprise income regulation, from the depreciation charges on its fixed capital and the proceeds from its utilization or

salvaging, and also the permanent grants that the enterprise receives from other organizations (for example, from another enterprise, a financial institution, a council or the state). Regardless of the accounting techniques used, the enterprise's own assets include the following:

- The stock of fixed capital and its changes during the year;
- The investment fund;
- The net balance of the incentive fund, increased by the amount specified in Section 10, Item b;
- The current assets;
- The cooperative's share capital;
- The assets transferred to an economic association;
- The portfolio of development loans to other enterprises;
- The portfolio of purchased bonds.

(The enterprise's own assets do not include the value of assets financed with a state loan or with investment credit.)

As before, current assets include the equity capital, capital stock, initial capital and special-purpose reserve of enterprises authorized to engage in foreign trade.

Instead of the incentive fund, for 1984 the closing balances of the development fund and profit fund, augmented when preparing the profit-and-loss statement for 1984, must be regarded as a part of the enterprise's own assets. (This amount tallies with the amount placed in the incentive fund pursuant to Section 21, Paragraph 2.)

Article II

Capital Levy's Base, Rate

1. The base of the capital levy is the value of the enterprise's own assets according to the balance sheet for the previous year, less the following items: the fixed capital and inventories for welfare and cultural services; the cooperative's share capital; the assets transferred to an economic association, on which the latter pays the capital levy; the portfolio of purchased bonds; and in sector 51, Domestic Trade, also 10 percent of the value of the enterprise's own assets.
2. Pursuant to Section 13, Paragraph 2, the capital levy's generally applicable rate is reduced by 50 percent for the following:
 - The enterprises where the capital levy's base is over 10 million forints but not more than 25 million, except the enterprises under Paragraph 5;
 - In specialized subsector 5122, Wholesale Procurement of Vegetables and Fruit;
 - In subsector 518, General Trade, on the proportion of own assets commensurate with the ratio of sales from the procurement of potatoes, vegetables and fruit to total sales,
 - In specialized subsector 1513, Lime and Cement Industry,

- In specialized subsector 1512, Stone Quarrying and Gravel Digging, and at the Stream Regulation and Gravel Dredging Enterprise (Folyamszabalyozo es Kavicskotro Vallalat),
 - At the R&D enterprises assigned to specialized subsector 7417,
 - In national economic branch 4, Transportation, Post & Telecommunication,
 - At enterprises belonging to specialized subsectors 1741 (Cotton), 1743 (Wool), 1742 (Flax, Hemp and Jute) and 1744 (Silk Industry--with the exception of Graboplast, the Szombathely Household Textiles Enterprise (Szombathelyi Lakastextil Vallalat), the Sopron Rug Factory (Soproni Szonyeggyar), and Yarn Finishing Enterprise (Fonalkikeszito Vallalat--in 1985, on the basis of the own assets held in 1984.
3. Pursuant to Section 13, Paragraph 2, 20 percent of the capital levy's generally applicable rate is payable in specialized subsector 2112, Construction of Housing and Municipal Services.
4. Pursuant to Section 13, Paragraph 2, the rate of the capital levy is zero for the following:
- The enterprises where the capital levy's base is less than 10 million forints;
 - In specialized subsector 1111, Coal Mining;
 - In uranium mining within specialized subsector 1119;
 - In specialized subsector 5152, Retail Trade in Foods;
 - In subsector 517, Catering;
 - Within subsector 518, General Trade, the proportion of own assets commensurate with the ratio of sales in food retail and public catering to total sales;
 - Within specialized subsector 5156, Retail Grocery Trade, the proportion of own assets commensurate with the ratio of retail food sales to total sales;
 - Within subsector 518, General Trade, the proportion of own assets commensurate with the ratio of sales in meat processing, poultry processing, baking, canning, winemaking, and brick- and tilemaking to total sales;
 - Within specialized subsectors 5141 (Semiwholesale Department Stores) and 5151 (Retail Department Stores), the proportion of own assets commensurate with the ratio of food sales to total sales;
 - Pursuant to Decree of the Minister of Finance No 33/1979 (1 Nov), the proportion of own assets commensurate with the ratio of retail sales in subsidized small settlements to total sales;
 - At enterprises trading in capital goods, the circulating capital obtained permanently under a cooperation agreement;
 - In specialized subsector 1511, Brick, Tile and Refractories Industry;
 - Within national economic branch 4, Transportation, Post and Telecommunication, the proportion of assets consisting of the transportation networks (systems) and assets serving intercity and municipal mass transport, and parts of the telecommunication networks (systems);
 - The entire own assets of research institutes;
 - The entire assets of the Contracting Construction Industry Enterprise (Epitoipari Kivitelezó Vallalat);
 - The entire own assets of the Muvelt Nep Book Distribution Enterprise and of the State Book Distribution Enterprise.

(The Ministry of Finance will directly determine the way to compute the tax exemption.)

5. With the special permission of the minister of finance, the enterprise where the capital levy's base is over 10 million forints but not more than 25 million forints may claim the reduced tax rate pursuant to Paragraph 2.

Supplement 4

1. The base of the accumulation tax pursuant to Section 14 comprises the payments made in accordance with the statute regulating investments (the amounts to be capitalized), the replenishments of circulating capital financed from the incentive fund, and the installment on circulating-capital credit repayable from the incentive fund.
2. The base of the accumulation tax does not include:
 - a. Taxes, fees and customs duties;
 - b. Expenditures on central investments;
 - c. The investment on which the enterprise has paid an investment fee in accordance with Decree of the Minister of Finance No 18/1982 (1 Jun).
3. Pursuant to Section 14, the following are exempt from accumulation tax:

In national economic branch 4 (Transportation, Post and Telecommunication), the development of the transportation networks (systems), the investments in rolling stock and vehicles for intercity and municipal mass transport, and the development of the telecommunication networks (systems), to the extent that the minister of finance determines, in agreement with the chairman of the National Planning Office, the minister of transportation and the director of the Hungarian Post Office;

At enterprises trading in capital goods, the amount by which circulating capital must be replenished because of the permanent increase of inventories, in conjunction with the takeover of inventories under a cooperation contract;

The investments that are in progress on 31 December 1984 to improve the population's supply with construction materials, and also the investments for the production of glass containers and abrasive disks;

Those investments to improve the population's supply with construction materials that will start after 1 January 1985 and for which the National Planning Office, the Ministry of Finance, and the Ministry of Construction and Urban Development grant special exemption;

On the basis of the finance minister's special permission, the procurement of research-related assets, in conjunction with the modernization of technology.

4. Pursuant to EIR Section 14, Paragraph 2, the enterprises pay accumulation tax at half the regular rate on new buildings, or on additions to existing buildings, used for the following purposes:
 - a. Workers' holiday homes, weekend rest homes, guest houses;
 - b. Administration and office buildings;
 - c. Enterprise headquarters;
 - d. Country rest home for writers, buildings for cultural exhibitions, and also cultural centers that are built as enterprise investments;
 - e. Buildings used for adult education (management training, training center, center for further training, etc.);
 - f. Workers' hostels and temporary accommodations in preferential spa areas.

The enterprise pays accumulation tax at the regular rate on administration and office buildings whose construction has become necessary in conjunction with the establishment of a new enterprise.

Supplement 5

Tax credit for R&D activity may be claimed with due consideration for the following provisions.

1. The basis for determining the activities that qualify for credit against profit tax is Decree of the Minister of Finance No 82/1982 (30 Nov), as amended by the provisions of the decrees regulating the system of financing research and development.

For the purpose of tax credit, any service may be regarded as related to R&D activity if it is provided on the basis of a research (development) contract, or a contract for the practical realization of R&D results, concluded pursuant to the provisions of Decree of the Council of Ministers No 7/1978 (1 Feb).

With due consideration for the preceding, credit against profit tax may be claimed on the basis of the profit on the proceeds from activities that are R&D services and directly support R&D as its part. Tax credit may be claimed also when the activity encompasses only a phase of R&D and not the entire R&D process.

Enterprises may claim credit against profit tax on the basis of the profit on the proceeds from the following activities that they have been commissioned to perform (or for which they have received a purchase order):

- Basic research;
- Applied research;
- Development of a manufacture, product or service (including the elaboration of modern accident-prevention and safety techniques necessary for the manufacture's operation);
- Development of production, operation and repair (technology);
- Planning, technological, design, testing and production-engineering services and consulting that are a part of the enterprise's R&D activity;

- Sale and licensing of foreign and domestic patents, know-how and industrial designs (basic royalties, contractual royalties per unit);
- Realization of inventions, know-how and significant innovations;
- Construction of prototypes;
- Elaboration of entries in R&D competitions;
- Preparation of technical information;
- Unification and standardization;
- Elaboration of new production methods and integrated agricultural technologies;
- Establishment and testing of agricultural experimental stations and plantations;
- Domestic propagation of high-yield plant varieties, livestock breeds and hybrids;
- Elaboration of methods that enhance the intrinsic value of individual plant species and varieties;
- In agriculture, the dissemination of objective grading and acceptance procedures;
- The renting of R&D equipment.

2. The enterprise is not entitled to claim credit against profit tax on the basis of the profit on activity that involves products obtainable from stockpiling enterprises or so-called off-the-shelf items, except when the purpose of the activity is the further development of such products or items.

EXCESS PROFIT TAX LEVIED ON PLANNING, DESIGN, PROJECT ADMINISTRATION

Budapest MAGYAR KOZLONY in Hungarian No 47, 5 Nov 84 pp 846-847

[Decree of the Minister of Finance No 35/1984 on the Excess Profit Tax on the Planning, Design and Administration of Investment Projects]

[Text] On the basis of the authority granted me under Section 18, Paragraph 4, of Decree of the Council of Ministers No 40/1984 (5 Nov) on Enterprise Income Regulation, also under Section 7, Paragraph 2, of Decree of the Council of Ministers No 50/1981 (27 Oct) on the Income Regulation of Small Cooperatives and Small Consumer Service Enterprises, and under Section 105, Paragraph 1, of Decree of the Council of Ministers No 23/1979 (28 Jun) Implementing Law No II/1979 on Public Finances--in agreement with the chairman of the National Planning Office, the chairman of the National Material and Price Office, the chairman of the National Office of Wages and Labor Affairs, the National Council of Trade Unions and, in the case of cooperatives, cooperative enterprises and incorporated economic associations operating with cooperative participation, also with the cooperatives' national federations, and having consulted the branch ministers (central-agency heads) concerned--I hereby decree the following.

Section 1

1. With the exceptions contained in Paragraph 2, the present decree applies to the organizations specified in Section 5, Paragraph 1, of Decree of the Council of Ministers No 23/1979 (28 Jun) Implementing Law No II/1979 on Public Finances, to budgetary state agencies, and also to economic organizations operating under the system of budgetary regulations, their establishments, enterprises and plants (hereinafter: enterprises).
2. The present decree does not apply to the economic organizations specified in Section 1 of Decree of the Council of Ministers No 45/1984 (6 Nov) on Income Regulation in Agriculture and the Food Industry, nor to public water utility associations and housing cooperatives.

Section 2

The enterprises must pay excess profit tax on planning and design (Service Activities List group 202-71) and administration of investment projects (group 202-72), which they undertake on the basis of separate commissions.

Section 3

1. The base of the excess profit tax is the net proceeds from the activities defined under Section 2, less payments to subcontractors.

2. The rate of the excess profit tax is 12 percent of the tax base.
3. The excess profit tax must be charged to miscellaneous expenditure.

Section 4

This decree will become effective 1 January 1985. Simultaneously, Decrees of the Minister of Finance Nos 35/1979 (1 Nov) and 80/1982 (30 Nov) will be rescinded.

Dr Istvan Hetenyi,
minister of finance

PRODUCERS' DIFFERENTIAL COMPROMISE TURNOVER TAX REFUND AMENDED

Budapest MAGYAR KOZLONY in Hungarian No 47, 5 Nov 84 pp 847-848

[Joint Decree of the Minister of Finance and the Minister of Foreign Trade No 36/1984 Amending Their Joint Decree 23/1979 (1 Nov) on Refunding the Producers' Differential Compromise Turnover Tax]

[Text] On the basis of the authority granted us under Section 4 of Decree of the Council of Ministers No 40/1984 (5 Nov) on Enterprise Income Regulation (hereinafter: EIR), and under Section 51, Paragraph 3, Item e, of Decree of the Council of Ministers No 45/1984 (6 Nov) on Income Regulation in Agriculture and the Food Industry (hereinafter: IRAF), in agreement with the chairman of the National Material and Price Office and the cooperatives' national federations, and having consulted the branch ministers, we hereby decree the following:

Section 1

The following provision replaces Section 1 of our Joint Decree No 23/1979 (1 Nov) as amended by our Joint Decrees Nos 29/1980 (30 Oct), 36/1981 (16 Oct), 34/1982 (13 Jul), 19/1983 (12 Jul), 2/1984 (23 Jan) and 10/1984 (7 Feb) ((hereinafter: the Decree)):

Section 1

This decree applies to the enterprises specified in EIR Section 1, Section 1 of Decree of the Council of Ministers No 42/1984 (5 Nov) on the Income Regulation of Public Service Enterprises, and in Section 1 of Decree of the Council of Ministers No 50/1981 (27 Oct) on the Income Regulation of Small Cooperatives and Small Consumer Service Enterprises as amended, and to the economic organizations specified in IRAF Section 1 (hereinafter: enterprises).

Section 2

The following provision replaces the Decree's Section 2, Paragraph 3:

3. The rate of refund, based on the average cumulative rate of the producers' differential compromise turnover tax, is generally 7 percent in the case of exports denominated in hard currencies.

Section 3

This decree will become effective 1 January 1985. Its provisions are to be applied to exports invoiced in hard currencies after 1 January 1985.

Dr Istvan Hetenyi,
minister of finance

Peter Veress,
minister of foreign trade

AGRICULTURAL, FOOD INDUSTRY EXPORT SUBSIDY AMENDED

Budapest MAGYAR KOZLONY in Hungarian No 47, 5 Nov 84 pp 847-848

[Joint Decree of the Minister of Finance and the Minister of Foreign Trade No 37/1984 Amending Their Joint Decree No 20/1979 (1 Nov) on Agricultural and Food Industry Export Subsidies]

[Text] On the basis of the authority granted us under Section 3 and 4 of Decree of the Council of Ministers No 40/1984 (5 Nov) on Enterprise Income Regulation, and under Section 51, Paragraph 3, Item e, of Decree of the Council of Ministers No 45/1984 (6 Nov) on Income Regulation in Agriculture and the Food Industry--in agreement with the chairman of the National Material and Price Office and the cooperatives' national federations, and having consulted the branch ministers--we hereby decree the following:

Section 1

The following provision replaces Section 2, Paragraph 3, of our Joint Decree No 20/1979 (1 Nov) as amended by our Joint Decrees Nos 28/1980 (30 Oct), 35/1981 (16 Oct), 33/1982 (13 Jul), 20/1983 (12 Jul), and 9/1984 (7 Feb):

3. In the case of export invoiced in hard currency, the combined rate of the producers' differential compromise turnover tax refund and export subsidy may not exceed 15 percent.

Section 2

This decree will become effective 1 January 1985. Its provisions are to be applied to exports invoiced in hard currencies after 1 January 1985.

Dr Istvan Hetenyi,
minister of finance

Peter Veress,
minister of foreign trade

TRADE TAX LEVIED ON FOREIGN-TRADE ENTERPRISES

Budapest MAGYAR KOZLONY in Hungarian No 47, 5 Nov 84 pp 848-849

[Decree of the Minister of Finance No 38/1984 on the Trade Tax of Foreign-Trade Enterprises]

[Text] With due consideration for the provisions of Section 2, Paragraph 2, of Decree of the Council of Ministers No 40/1984 (5 Nov) on Enterprise Income Regulation and on the basis of the authority granted me under its Section 18, Paragraph 4--in agreement with the minister of foreign trade, the chairman of the National Material and Price Office and the cooperatives' national federations, and having consulted the branch ministers concerned--I hereby decree the following:

Section 1

This decree applies to the enterprises included in the sector of foreign trade under the Central Statistical Office's uniform system for the classification of the national economy's branches and sectors (hereinafter foreign-trade enterprises).

Section 2

1. Foreign-trade enterprises, with the exception of the enterprises acting as agents, are liable to trade tax on their entire activity.
2. The enterprises acting as agents for their foreign principals are liable to trade tax only on their agency activity on behalf of their foreign principals.
3. The base of the foreign-trade enterprises' trade tax, with due consideration for the provisions of Paragraphs 1 and 2, is the foreign-trade gross profit margin that must be determined in accordance with the instructions for preparing the balance-sheet report (or midyear reports). In specific instances, the minister of finance may define differently the trade tax base.

Section 3

1. The rate of the foreign-trade enterprises' trade tax is contained in the supplement to this decree.
2. Within 15 days of their entry in the register of enterprises, the enterprises newly included in the foreign-trade sector after this decree has become effective must petition the Ministry of Finance for the determination of the rate of their trade tax.

Section 4

1. The trade tax is reported and paid in the form of self-assessment.
2. The trade tax must be charged as an excess profit tax to miscellaneous expenditure, in accordance with the accounting regulations.
3. The statutes on the rules of procedure for financial and economic audits, respectively for the tax administration of enterprise-type economic organizations, and on the general rules of administrative procedure apply to proceedings, administration, audits and violations in trade-tax cases.

Section 5

This decree will become effective 1 January 1985. Its provisions are to be applied for the first time in 1985, respectively when preparing the profit-and-loss statement for 1985.

Dr Istvan Hetenyi,
minister of finance

Supplement

Pursuant to the provisions of Section 3, the rate of the foreign-trade enterprises' trade tax is as follows:

		Trade tax, in percent of foreign trade's gross profit margin
Enterprises' specialized subsector		
5211	Foreign trade in commodities and industrial property of commercial value	0
5212	Foreign trade in services	0
5213	Foreign turnkey construction projects	0
5214	Foreign-trade agency	
	Agentura Limited	
	Eurocom Corporation	
	Hunicoop	
	Hungagent Corporation	
	Industria Corporation	
	Importtrade Corporation	
	Mercator Limited	
	Zenit Limited	
	Universal Limited	55

SYSTEM OF ENTERPRISE WAGE, SALARY REGULATION IMPLEMENTED

Budapest MAGYAR KOZLONY in Hungarian No 47, 5 Nov 84 pp 849-856

[Decree of the State Office of Wages and Labor Affairs No 15/1984 on the System of Enterprise Wage and Salary Regulation]

[Text] On the basis of the authority granted me by the Council of Ministers and acting in agreement with the chairman of the National Planning Office, the minister of finance, the National Council of Trade Unions, the National Council of Consumer Cooperatives, the National Council of Industrial Cooperatives, and the National Council of Agricultural Cooperatives, I hereby decree the following:

General Provisions

Section 1

1. This decree applies to the economic organizations specified in Decree of the Council of Ministers No 43/1984 (5 Nov), Section 1 (hereinafter: the enterprise).
2. The provisions of this decree do not apply to the following:
 - The enterprises that fall under Decree of the Council of Ministers No 45/1984 (6 Nov) on Income Regulation in Agriculture and the Food Industry;
 - Public water utility associations;
 - The institutions that belong in sector 75 (Financial Services), and the cooperative savings associations;
 - The housing-construction, housing-maintenance, vacation-home and garage cooperatives;
 - The incorporated economic associations in which there is foreign financial participation.
3. Unless the trust's charter specifies otherwise, the trust enterprise is regarded as an independent enterprise for the purpose of this decree.

Section 2

1. Within the system of enterprise wage and salary regulation, the following forms of wage and salary regulation may be employed:
 - a. Regulation of the wage and salary level;
 - b. Regulation of wage and salary increases;
 - c. Central wage and salary regulation.
2. The form of wage and salary regulation to be employed at the enterprise must be determined with due consideration for the provisions of Supplement 1 to this decree.

3. The enterprise for which Supplement 1 specifies regulation of the wage and salary level is free to choose between regulation of the wage and salary level and regulation of wage and salary increases. In the absence of provisions to the contrary, the enterprise must employ for at least three consecutive years the form of wage and salary regulation it has chosen. This restriction does not limit the enterprise's option to choose central wage and salary regulation.
4. With due consideration for the provisions of Section 7, the enterprise may elect central wage and salary regulation, instead of regulation of the wage and salary level or regulation of wage and salary increases.
5. The enterprise may employ regulation of wage and salary increases pursuant to Paragraph 3, or central wage and salary regulation pursuant to paragraph 4, if by 31 January of the current year it has filed notice of its decision with the State Office of Wages and Labor Affairs and the local tax authority. The enterprise's branch ministry also must be informed of the enterprise's decision.
6. Notice of the enterprise's decision to change its form of wage and salary regulation pursuant to Paragraph 3 must be filed by 31 January of the year in which the new form of wage and salary regulation is to be used.
7. When the enterprise elects central wage and salary regulation pursuant to Paragraph 4, the duration of this form's application--including its application in 1985--counts as a part of the period specified in Paragraph 3.

Section 3

1. The provisions of Supplement 2 to this decree must be employed to determine wages and salaries, and the enterprise's personnel.
2. The enterprise pays from its incentive fund the tax on earned income payable under the provisions of this decree, including the surtax pursuant to Section 8. Here it is necessary to proceed in accordance with Decree of the Minister of Finance No 32/1984 (5 Nov) on Enterprise Income Regulation, and the Formation and Use of the Incentive Fund or, in the case of public service enterprises, with Decree of the Minister of Finance No 34/1984 (5 Nov) on the Income Regulation and Economic Incentives of Public Service Enterprises.
3. The enterprise that by law cannot show a profit meets its liability for tax on earned income according to the general rules, from its incentive-fund grant.

Regulation of Wage, Salary Level

Section 4

1. The enterprise pays tax on earned income on the annual wages and salaries of its entire personnel, as defined in Supplement 2, Paragraph 1. If during a given year the enterprise paid a worker as both regular and other personnel, his pay for the year must be added regardless of his classification.
2. The tax pursuant to Paragraph 1 must be determined by adding the tax on each worker's earned income. For this purpose the annual pay of each worker must be computed, and the tax on it must be computed pursuant to Paragraph 5. The sum of the computed amounts is the tax on earned income that the enterprise must pay.
3. If a full-time worker has not been in the given enterprise's employ the entire calendar year, the tax on his earned income must be determined for

his annual pay based on his average monthly pay, but only the prorated amount of this tax is payable. For the purpose of this computation, only the calendar months during which the worker was employed for at least 20 days, and the pay for these months, have to be taken into consideration.

4. The provisions of Paragraph 3 do not apply to the pay that the said worker received from the enterprise during his part-time employment. Such pay must be added to the pay the worker received during his full-time employment, and then taxed in accordance with the provisions of Paragraph 5.
5. The tax on earned income must be determined on the basis of the following tax schedule.

Worker's annual wage or salary bracket (thousand forints)	Tax (cumulative amount plus percent of pay over preceding bracket)		
	Forints	+	Percent
- 24		+	5
24 - 36	1,200	+	10
36 - 48	2,400	+	15
48 - 60	4,200	+	20
60 - 72	6,600	+	25
72 - 84	9,600	+	30
84 - 96	13,200	+	35
96 - 120	17,400	+	40
120 - 144	27,000	+	45
144 -	37,800	+	50

Regulation of Wage, Salary Increases

Section 5

1. The enterprise pays tax on earned income on the increase in the annual average wages or salaries of its full-time workers (hereinafter: average pay).
2. The base against which the increase in average pay is measured is the average pay the preceding year. If in any year during the application of the forms of wage and salary regulation specified in this decree the average pay at the enterprise was higher than in the year preceding the current year, this higher average pay must be used as the base.
3. The base of average pay must be modified with due consideration for the provisions of Sections 14 and 15.
4. The following schedule of rates must be used to determine the per capita amount of the tax pursuant to Paragraph 1:

Increase of full-time workers' average pay, in percent of base-year average pay	Tax rate, in percent of the amount of pay increase taxed in the given bracket
0 - 1	150
1 - 2	175
2 - 3	200
3 - 4	225
4 - 5	250
5 - 6	275
6 - 7	300
7 - 8	350
8 - 9	400
9 -	450

5. The tax on earned income that the enterprise must pay is the per capita tax computed in accordance with Paragraph 4, multiplied by the derived total personnel less 50 percent of the calculated personnel that is calculated, in accordance with Paragraph 6 of Supplement 2, on the basis of the pay of the part-time workers and homeworkers.

Central Wage, Salary Regulation
Section 6

1. The enterprise pays tax on earned income on the increase in the annual average pay of its full-time workers.
2. In the absence of provisions to the contrary, the preceding year's average pay must be increased by 5.5 percent to obtain the base against which the current year's increase in average pay is measured. If the preceding year's average pay was lower than its base had been, then the base of the preceding year's average pay must be increased by the mentioned percentage to obtain the base for the current year.
3. The base of average pay must be modified with due consideration for the provisions of Sections 14 and 15.
4. The following schedule of rates must be used to determine the per capita amount of the tax pursuant to Paragraph 1:

<u>Increase of full-time workers' average pay, in percent of base-year average pay</u>	<u>Tax rate, in percent of the amount of pay increase taxed in the given bracket</u>
0 - 1	200
1 - 2	225
2 - 3	250
3 - 4	300
4 - 5	350
5 - 6	400
6 -	450

5. The tax on earned income that the enterprise must pay is the per capita tax computed in accordance with Paragraph 4, multiplied by the derived total personnel less 50 percent of the calculated personnel that is calculated, in accordance with Paragraph 6 of Supplement 2, on the basis of the pay of the part-time workers and homeworkers.

Section 7

1. The enterprise that elects to use central wage and salary regulation pursuant to Section 2, Paragraph 4, may employ this form of regulation with the departures according to Paragraphs 2 through 4.
2. When invoking Section 6, Paragraph 2, the enterprise may use a 2-percent increase instead of the rate specified therein.
3. If the increase in average pay in relation to the base computed according to Paragraph 2 is more than 1 percent, then the base against which the increase in average pay is measured will be the preceding year's average pay or, if smaller, the average pay according to Paragraph 4.
4. If in one or more years directly preceding the tax year the enterprise employed regulation of the wage and salary level, then the base to be used according to Paragraph 3 will be the average pay the year directly preceding the one when regulation of the wage and salary level was introduced,

plus the increases of this average pay at the generally applicable rates that were authorized centrally.

Transitory Provisions

Section 8

1. In addition to the tax specified in Section 4, Paragraph 1, and in Section 5, Paragraph 1, also a surtax must be paid by the enterprise that employs regulation of the wage and salary level, respectively regulation of wage and salary increases, if the indicator of value added per forint of expenditure on wages and salaries, as defined in Supplement 3, is lower in the current year than in the preceding year.
2. The enterprise where average pay in the current year is at least 3 percent higher than the average pay the preceding year pays no surtax.
3. To determine the base of the surtax, the enterprise's total wages and salaries paid in the year preceding the current year must be multiplied by the index of value added that is defined in Paragraph 3 of Supplement 3. The base of the surtax is the difference between the enterprise's total wages and salaries paid in the current year and the total defined in the preceding sentence. Total wages and salaries must be determined in accordance with Paragraphs 2 and 3 of Supplement 2.
4. The rate of the surtax will be 150 percent for 1985, and 75 percent for 1986.

Section 9

1. The base against which the 1985 increase in average pay will be measured is the 1984 average pay computed in accordance with the provisions of Supplement 2 to this decree; in the case of central wage and salary regulation, the 1984 average pay will be increased at the rate specified in Section 6, Paragraph 2, respectively Section 7, Paragraph 2. The enterprises that employ regulation of the wage and salary level also will have to take this provision into consideration when invoking Section 8, Paragraph 2.
2. In determining the base against which the 1985 increase in average pay will be measured, the 1984 payments charged to the net profit-sharing fund formed from the 1984 profit may be taken into account at most to the extent specified in Paragraph 3.
3. The extent referred to in Paragraph 2 must be determined as the ratio of the 1983 payments charged to the net profit-sharing fund formed from the 1983 profit, to the net profit-sharing fund formed from the 1983 profit, times the net profit-sharing fund formed from the 1984 profit.
4. The provisions of Paragraphs 1 and 2 apply also to the enterprises that employ regulation of the wage and salary level, when they invoke Section 8, Paragraph 2.

Section 10

When the present decree becomes effective, the enterprise may no longer keep on its books the wage reserve that it formed under the system of wage regulation through 1982, and which was recomputed in accordance with the provisions of Decree of the State Office of Wages and Labor Affairs No 4/1982 (30 Nov), nor the use of this wage reserve to advance wage increases.

Section 11

1. If the 1984 actual increase in average pay at the enterprise is less than the limit that is exempt, pursuant to Decree of the State Offices of Wages

and Labor Affairs No 4/1982 (30 Nov), from progressive profit tax, then the base against which the 1985 increase in average pay will be measured may be increased.

2. To increase pursuant to Paragraph 1 the base against which the 1985 increase in average pay will be measured, the portion of the the wage level's rise that would have been exempt from tax but was not claimed must be determined (in forints). This portion must be added to the 1984 average pay determined in accordance with the provisions of Supplement 2 to this decree. The 1984 average pay augmented in this manner is then presumed to be the average pay the enterprise actually attained.
3. The provisions of Paragraphs 2 apply also to the enterprises that employ regulation of the wage and salary level, when they invoke Section 8, Paragraph 2.

Section 12

In computing the tax on earned income pursuant to Section 4, Paragraph 1, the enterprise that employs regulation of the wage and salary level may disregard in 1985 the payments from resources on which it has paid progressive profit tax.

Sundry Provisions

Section 13

Together with the computations based on accounting and statistical-reporting records, the enterprise must keep on file the current-year and base indicators necessary for settling the accounts in conjunction with its system of wage and salary regulation.

Section 14

1. When a new enterprise is formed, except as stipulated in Paragraph 2, the State Office of Wages and Labor Affairs approves the base, proposed by the branch ministry, of the indicators (wages and salaries, average pay, and value added) necessary for the operation of the system of wage and salary regulation.
2. In the cases specified in Supplement 4, Paragraph 1, the enterprise must initiate the setting or modification of the base for wages and salaries, average pay, and value added. The modification must be implemented in accordance with the permission that the State Office of Wages and Labor Affairs grants on the branch ministry's proposal.

Section 15

The base of wages and salaries, average pay, and value added must be modified in accordance with the pertinent regulation issued by the chairman of the State Office of Wages and Labor Affairs.

Section 16

The State Office of Wages and Labor Affairs exercises its authority under Sections 14 and 15 in agreement with the National Council of Trade Unions (with the cooperatives' national federations in the case of cooperatives, and of incorporated economic associations in which cooperatives are participating).

Section 17

When warranted, the chairman of the State Office of Wages and Labor Affairs --acting in agreement with the chairman of the National Planning Office, the

minister of finance, the National Council of Trade Unions and, in the case of cooperatives, with their national federation--may depart from the provisions of this decree in specifying the set of conditions for wage and salary regulation. If the decision affects an incorporated economic association operating with cooperative participation, also the founding cooperatives' national federation must be consulted.

Section 18

1. This decree will become effective 1 January 1985.
2. When this decree becomes effective, the following decrees of the State Office of Wages and Labor Affairs will simultaneously be rescinded: No 4/1982 (30 Nov) on Enterprise Wage Regulation, as amended by No 6/1983 (12 Nov); No 8/1982 (27 Dec) on Wage Preferences for Enterprises Providing Consumer Services; No 10/1983 (12 Nov) on Correcting the Base in Conjunction with the Inclusion of Allowances Over Wages in the Wage Rates; and Sections 3 through 6 of No 5/1984 (14 Feb) on Some Questions of Seconding Workers to Other Employers. However, their provisions still apply to the computation of the progressive profit tax on 1984 profits.

Dr Albert Racz, state secretary,
chairman of the State Office of Wages
and Labor Affairs

Supplement 1

Scope of the Individual Forms of Wage and Salary Regulation

1. Unless this decree provides otherwise, the Central Statistical Office's uniform system for the classification of the national economy's branches and sectors determines the sectoral classification of the enterprise (or trust) and the form of wage and salary regulation it must employ.
2. Regulation of the wage and salary level must be employed in the following:
 - Specialized subsector 1112 (Petroleum and Natural Gas Production);
 - Specialized subsector 1411 (Production of Machinery and Mechanical Equipment);
 - Specialized subsector 1412 (Repair of Machinery and Mechanical Equipment);
 - Specialized subsector 1421 (Production of Transport Equipment);
 - Specialized subsector 1431 (Production of Electrical Machinery and Equipment);
 - Subsector 144 (Telecommunication Equipment and Vacuum-Engineering Industry);
 - Specialized subsector 1451 (Instrument Industry)
 - Subsector 146 (Metalware Industry);
 - Sector 15 (Construction Materials Industry), except specialized subsectors 1511 (Brick, Tile and Refractories Industry), 1512 (Stone Quarrying and Gravel Digging) and 1513 (Lime and Cement Industry);
 - Sector 16 (Chemical Industry), except specialized subsector 1612 (Gas Production and Distribution);
 - Subsector 171 (Wood Processing);

- Subsector 172 (Paper Industry);
- Subsector 173 (Printing Industry);
- Specialized subsector 1745 (Haberdashery Industry);
- Specialized subsector 1746 (Knitwear Industry);
- Subsector 175 (Leather, Fur and Shoe Industry);
- Subsector 176 (Textile Clothing Industry);
- Subsector 177 (Handicraft and Homecraft Industry);
- Specialized subsector 1919 (Vegetable Oil Industry);
- Specialized subsector 1921 (Distilling and Starch Industry);
- Specialized subsector 1923 (Brewing Industry);
- Specialized subsector 1925 (Tobacco Industry);
- Sector 21 (Contracting Construction Industry);
- Sector 412 (Highway Transport), except specialized subsector 4122 (Highway Transport of Passengers and Freight);
- Specialized subsector 4132 (Taxi Industry);
- Sector 51 (Domestic Trade), except specialized subsector 5122 (Wholesale Procurement of Vegetables and Fruit), subsector 516 (Retail Trade in Drugs), and specialized subsectors 5172 (Plant Catering) and 5193 (Renting);
- Sector 71 (Data Processing, Computer Engineering and Systems Engineering);
- Specialized subsector 7312 (Photography);
- Sector 74 (Business Services);
- Furthermore, at small enterprises in every branch of the economy, with the exception of the small enterprises engaged in research and development, and in planning, design and administration of investment projects.

3. Regulation of wage and salary increases must be employed in the following:

- Specialized subsector 1413 (Technological Installation of Machinery and Mechanical Equipment);
- Specialized subsector 1422 (Repair of Transport Equipment);
- Specialized subsector 1432 (Repair of Electrical Machinery and Equipment);
- Specialized subsector 1452 (Repair of Instruments);
- Sector 18 (Other Industries), except specialized subsector 1812 (Laundering, Dyeing and Dry Cleaning);
- Specialized subsector 4122 (Highway Transport of Passengers and Freight);
- Sector 52 (Foreign Trade);
- Furthermore, within every branch of the economy, at enterprises for planning, design and administration of investment projects.

4. Central wage and salary regulation must be employed in the following:

- Sector 11 (Mining), except specialized subsector 1112 (Petroleum and Natural Gas Production);
- Sector 12 (Electric Power Industry);
- Sector 13 (Metallurgy);
- Specialized subsector 1511 (Brick, Tile and Refractories Industry);
- Specialized subsector 1512 (Stone Quarrying and Gravel Digging);
- Specialized subsector 1513 (Lime and Cement Industry);
- Specialized subsector 1612 (Gas Production and Distribution);
- Subsector 174 (Textile Industry), except specialized subsectors 1745 (Haberdashery Industry) and 1746 (Knitwear Industry);
- Specialized subsector 1812 (Laundering, Dyeing and Dry Cleaning);

- Sector 19 (Food Industry), except specialized subsectors 1919 (Vegetable Oil Industry), 1921 (Distilling and Starch Industry) 1923 (Brewing Industry) and 1925 (Tobacco Industry);
- National economic branch 4 (Transport, Post and Telecommunication), except subsector 412 (Highway Transport) and specialized subsector 4132 (Taxi Industry);
- Specialized subsector 5122 (Wholesale Procurement of Vegetables and Fruit);
- Subsector 516 (Retail Trade in Drugs);
- Specialized subsector 5172 (Plant Catering);
- Specialized subsector 5193 (Renting);
- National economic branch 6 (Management of Water Resources);
- Sector 72 (Other Types of Physical Services);
- Sector 73 (Personal and Household Services), except specialized subsector 7312 (Photography);
- Sector 76 (Housing, Municipal and Community Services);
- National economic branch 8 (Health Care, Social and Cultural Services);

Furthermore, within every branch of the national economy, at:

- Research and development institutes;
- Research and development enterprises;
- Industrial associations and centers with similar legal status;
- Public service enterprises;
- Enterprises for employing the handicapped;
- Registered consumer service enterprises, except enterprises assigned to specialized subsector 7312 (Photography);
- Enterprises belonging to the Ministry of Health, Ministry of Defense, Ministry of Justice, the National Physical Education and Sports Office, and the Art Fund, except the small enterprises, and the enterprises for planning, design and administration of investment projects.

5. The chairman of the State Office of Wages and Labor Affairs will specify by separate order what form of wage and salary regulation an enterprise must use if its form differs from the one designated in this supplement.

Supplement 2

Accounting Wages, Salaries, Personnel, Computing Average Pay

In the absence of provisions to the contrary, the effective provisions of the "Uniform Instructions on Labor Statistics" that the Central Statistical Office issued must be employed in accounting wages and salaries, and the personnel.

1. A worker of the enterprise is the employee who
 - Is on the enterprise's payroll for its regular personnel,
 - Is not [currently] on the payroll, but is included in the enterprise's labor statistics report (statistical headcount), or
 - Belongs to the enterprise's other personnel.
2. Wages and salaries are the payments that the enterprise makes to a worker as defined in Paragraph 1 and which the mentioned instructions regard as wages or salaries, except the amounts listed in Paragraph 3.

3. Contrary to the instructions referred to in the introduction, the following payments do not have to be included in wages and salaries:
- Royalties paid to authors of copyrighted works and charged to wages;
 - Fees paid to innovators and to collaborators on innovations;
 - The pay that the employee does not actually get for performance exceeding the work schedule, but which the various social organizations or the enterprise's collectives have pledged;
 - The grants to apprentices, except the wages paid to apprentices who have not yet taken the examination for skilled workers but already are being paid skilled rates;
 - The cold-weather pay of construction workers, pursuant to Joint Decree of the Minister of Construction and Urban Development and the Minister of Labor No 15/1971 (22 May);
 - The prizes awarded in R&D contests and charged to the technical development fund;
 - The rewards paid from the profit-incentive provisions, on the basis of a separate agreement;
 - In domestic-trade units operating under an incentive linked to gross sales, the pay that workers receive on the basis of a separate agreement when performance requirements are exceeded;
 - Within the framework of the socialist brigade movement, the premiums awarded with the title of the enterprise's outstanding brigade or outstanding youth brigade, and the premiums awarded from resources other than those of the enterprise (e.g., with the title of outstanding enterprise).
4. To compute the average pay, the enterprise's total of wages and salaries determined in accordance with Paragraphs 2 and 3 must be broken down into two parts:
- a. All payments to full-time workers, including also the remuneration paid pursuant to Sections 32 and 33 of Decree of the Minister of Labor No 17/1979 (1 Dec); and
 - b. All other payments not included in Item a.

The pay of the enterprise's employees operating under a fixed-rate-payment (or free-chasier) system must be included among the payments that fall under Item b. The pay of the workers who, according to the instructions referred to in the introduction, cannot be included in the enterprise's statistical headcount must likewise be included among the payments that fall under Item b.

5. The average pay is the total of the payments that fall under Paragraph 4, Item a, divided by the enterprise's average statistical headcount. In this computation the full-time workers employed under a fixed-rate-payment (or free-cashier) system or under contracting, including the contract managers of the subdivisions that have been contracted out, must be disregarded.
6. The derived total personnel must be determined as follows:
- a. The calculated personnel is the total of the payments that fall under Paragraph 4, Item b, divided by the average pay as defined in Paragraph 5..
 - b. The derived total personnel is the sum of the enterprise's average statistical headcount and of the calculated personnel pursuant to Item a.

7. Among the workers permanently employed abroad, the pay and headcount of only those workers must be taken into consideration--in accordance with the pertinent statutory regulations--who are employed to fulfill a foreign-trade contract.
8. At the consumer, marketing and purchasing cooperatives that employ regulation of wage and salary increases or central wage and salary regulation, the wages and headcount of the blue-collar workers who do the purchasing, make service calls and provide services on the premises may not be included in the wages and headcount of the full-time employees. On the proposal of the branch ministry and in agreement with the Central Council of Trade Unions,, the State Office of Wages and Labor Affairs determines the jobs that fall within such activities.
9. When totaling wages and salaries for the current years as well as the base year in the case of regulation of wage and salary increases or central wage and salary regulation, the amounts must be disregarded whose exclusion has been authorized by statute or by an order that the chairman of the State Office of Wages and Labor Affairs issues after this decree becomes effective. The amounts whose exclusion a statute or subsequent order of the chairman of the State Office of Wages and Labor Affairs authorizes only from the calculation of the full-time employees' average pay must be included among the amounts that fall under Paragraph 4, Item b. When this decree becomes effective, the exclusions can no longer be claimed that were authorized by an earlier order of, respectively, the minister of labor and the chairman of the State Office of Wages and Labor Affairs or, under their delegated authority, the branch minister.
10. The members of industrial cooperatives and the payments they receive must be treated in the same manner as employees and as wages and salaries.
11. In the computations that wage and salary regulation requires, the total wages and salaries paid must be rounded off to the nearest 1000 forints; the wages or salary of each worker, and the average pay per worker, to the nearest forint; the headcount, to one decimal; and the percent change in average pay, to two decimals. The general rules for rounding apply to the computations.

Supplement 3
Determination of Value Added Indicator

1. Value added in Section 8, Paragraph 1, of this decree is the combined total of the following items as included in the enterprise's balance sheet:
 - Profit,
 - Wage costs,
 - Social security contributions,
 - Depreciation, reduced by the amount specified in Section 4, Paragraph 5, of Joint Decree of the National Planning Office Chairman and the Minister of Finance No 3/1983 (20 Dec), and
 - Costs of wage-type benefits.

2. Value added per forint of wages and salaries is the value added as defined in Paragraph 1, divided by the combined total of wages and salaries paid by the enterprise and computed in accordance with Paragraphs 2 and 3 of Supplement 2.
3. The value added indicator's index is the current year's value added indicator divided by the preceding year's indicator..
4. The provisions of this decree must be employed to compute the value added indicator as well as wages and salaries, for both the current year and the preceding year, except that in determining the amount of value added for 1984 it is necessary to use the profit shown in the profit-and-loss statement (or used as the basis of the profit incentive), instead of the profit shown in the balance sheet.
5. The base of the indicators must be modified in accordance with Sections 14 and 15 of this decree.
6. In computing the value added indicator when Section 8, Paragraph 1, of this decree is invoked, the entire profit of an unincorporated economic association that falls within the scope of this decree must be taken into consideration at the economic organization in whose balance sheet the economic association's assets (and wage costs) are included. The members of the economic association who share in the profits of the venture may not take their profit share into consideration when computing their value added indicator.
7. In computing the value added indicator when Section 8, Paragraph 1, of this decree is invoked, an incorporated economic associations that falls within the scope of this decree must take into consideration the combined total of its balance-sheet profit and the shares of the profit before taxes that by law may be distributed among the association's members. The members of the economic association must exclude their shares of the profit before taxes when they compute their value added indicator.
8. In conjunction with invoking Section 8 of this decree, the value added and the total wages and salaries paid must be rounded off to the nearest 1000 forints; the value added per forint of wages and salaries, and the index of value added, to three decimals. The general rules for rounding apply to the computations.

Supplement 4

Modifying the Base of Wages and Salaries, Average Pay, and Value Added

1. The enterprise must initiate modification of the base of wages and salaries, average pay, and value added in the following instances:
 - When enterprises are consolidated, merged or split up, or when a subdivision is spun off into an independent enterprise.
 - When the enterprise transfers or takes over a subdivision or a production task.

- When there is a change in the composition of the personnel due to a change in the structure of activities, causing an increase or drop of at least 2 percent in average pay. In modifying the base, only the part of the impact exceeding 2 percent may be taken into consideration.
- When a subdivision operating under a fixed-rate-payment system is established, or when the separate contract of employment under such a system is cancelled.
- When a subdivision is transformed into a subsidiary or specialized co-operative group.
- When a subdivision converts to operation by contract, or when its operation by contract is terminated.

2. When modifications of the base become necessary for different reasons, the chronological order of the events providing the reasons determines the sequence of the modifications. With due consideration for this general rule, the following sequence must be observed in the absence of statutory regulations to the contrary:

- Modification for the lagging effect of a base modification already begun the preceding year.
- For 1985, base modification pursuant to Section 11 of the present decree, to add to the base of average pay the unclaimed balance of the 1984 rise in average pay that would have been exempt from progressive profit tax.
- Base modifications due to changes in the statutory regulations on determining wages and salaries, the personnel, or value added.
- Other, centrally ordered, base modifications (e.g., increase of the preceding year's average pay under central wage and salary regulation, in accordance with Section 6, Paragraph 2, of the present decree).
- Assertion of the effect of an event that occurred before 1 January of the current year and serves as a reason for base modification.
- Assertion of the effect of an event that occurred after 1 January of the current year and serves as a reason for base modification.

REGULATION OF WORKERS' INCENTIVES IMPLEMENTED

Budapest MAGYAR KOZLONY in Hungarian No 47, 5 Nov 84 pp 856-857

[Decree of the State Office of Wages and Labor Affairs No 16/1984 on the Incentive Fund's Use for Economic Incentives]

[Text] On the basis of the authority granted me by the Council of Ministers and acting in agreement with the chairman of the National Planning Office, the minister of finance, the National Council of Trade Unions, the National Council of Consumer Cooperatives, the National Council of Industrial Cooperatives, and the National Council of Agricultural Cooperatives, I hereby decree the following:

Section 1

1. This decree applies to the economic organizations specified in Decree of the Council of Ministers No 43/1984 (5 Nov), Section 1 (hereinafter collectively: the enterprise).
2. This decree must be applied to
 - a. Public service enterprises,
 - b. The councils' budgetary plants, and
 - c. The institutions and cooperative savings associations that belong to subsector 751 (Financial Services)with the departures specified by separate statute.

Section 2

To strengthen the profit incentive, make economic stimulation more effective, reward loyalty to the enterprise and compensate for adverse working conditions, the enterprise may provide incentives for its workers from the incentive fund defined in Decree of the Minister of Finance No 32/1984 (5 Nov) on Enterprise Income Regulation and the Formation and Use of the Incentive Fund in accordance with the following provisions.

Section 3

1. The following payments for economic stimulation may be made from the incentive fund:
 - a. Premiums,
 - b. Bonuses,
 - c. Yearend profit sharing,
 - d. Prizes in nonpublic R&D contests, and
 - e. Payments for other purposes authorized by statute.

2. At industrial cooperatives, payments for the purpose specified in Paragraph 1 may be made for supplementary dividends to members and for extra remuneration of the officers, in accordance with Section 3, Paragraph 1, Item b, and Section 7, Paragraph 2, of Decree of the Council of Ministers No 40/1971 (30 Nov). The supplementary dividends may not exceed one-fourth of the total earmarked for yearend profit sharing.

Section 4

1. The principles for the breakdown and use of the total amount set aside from the incentive fund to provide economic stimulation for the workers, and the mutual ratios or proportions of the individual parts and items under Section 3, Paragraphs 1 and 2, must be specified in the collective contract or the industrial cooperative's work rules (hereinafter: collective contract).
2. Unless the trust's charter provides otherwise, at the trust's headquarters the principles, ratios and proportions pursuant to Paragraph 1 must be specified with due consideration for the incentive fund that the trust's board of directors approves each year.
3. The collective contract may provide the payments under Section 3, Paragraph 1, Items a-c, also for workers who are not employed by the enterprise but work there regularly (e.g., industrial apprentices, their instructors, kindergarten teachers, or workers of the plant's health service who hold full-time jobs elsewhere).

Section 5

1. Except as specified in Paragraph 2, an advance or loan may not be provided from the amount set aside for economic stimulation from the incentive fund.
2. An advance on the annual premium may be paid once during the year, commensurately with the prorated performance and with due consideration for the data of the midyear report.

Section 6

The allocations for Section 3, Paragraph 1, Items a-c, must be divided among the enterprise's larger subdivisions with due consideration for their contributions to the enterprise's profit, or for some other indicator that reflects the subdivisions' successful work. The rules for dividing the allocations must be included in the collective contract.

Section 7

1. The enterprise may pay a premium or bonus on the basis of Section 3, Paragraph 1, Items a and b, to any of its workers, groups of workers or small organizational subdivisions (e.g., a shop). The enterprise may pay premiums to its senior managers--an industrial cooperative, to its senior officers (hereinafter: senior managers)--as specified by separate statute. If the premium or bonus is paid to a group or small subdivision, its chief is responsible for dividing the premium or bonus among the workers of the group or small subdivision. The methods of dividing the premiums or bonuses must be specified in the collective contract.
2. At the time when he is being paid his premium or bonus, the worker must be informed in writing that the premium or bonus is not the basis of his yearend profit sharing.

Section 8

1. The rules for yearend profit sharing must be specified in the collective contract.
2. Yearend profit sharing may be paid commensurately with the workers' wages, or commensurately with their wages and length of service with the enterprise.
3. The collective contract may divide the total for yearend profit sharing into as many as three parts. In addition to the parts for wage- and seniority-commensurate payments, from the third part the enterprise may pay profit sharing on the basis of the effectiveness, importance and quality of the worker's performance.
4. From the viewpoint of qualifying for yearend profit sharing, the collective contract may assign greater weight to work injurious to health, heavy physical labor, work under three-shift or continuous operation, or to work under other conditions less favorable than the average working conditions; and it may include also other periods in the length of service with the enterprise.
5. Wages are the payments made to the worker during the current year and charged to wage costs, with the exception of the fees paid to innovators.
6. A transferred worker's length of service with the enterprise includes also his length of service with the previous enterprise or enterprises, so long as the process of transfer is not interrupted.

Section 9

1. The worker may be paid yearend profit sharing also for that part of the calendar year during which he did not receive wages. From the viewpoint of yearend profit sharing, the first 30 days of sick pay must be regarded as time during which the worker actually worked.
2. The collective contract may prescribe the rules based on Paragraph 1, and it must also define the base for the computation of profit sharing. In the case of yearend profit sharing pursuant to Section 4, Paragraph 3, the organization that employs the worker (or has concluded an apprenticeship contract with him) also must approve payment.
3. The worker who is transferred during the year is entitled to yearend profit sharing from both enterprises, commensurately with the time he spent at each enterprise.

Section 10

1. This decree will become effective 1 January 1985. Its provisions must be applied for the first time to payments based on the economic results for 1985.
2. When this decree becomes effective, Decree of the State Office of Wages and Labor Affairs No 3/1981 (31 Oct) on the Profit-Sharing Fund's Use, as modified and amended by Decrees Nos 6/1982 (30 Nov), 8/1983 (12 Nov) and 7/1984 (21 Feb), will simultaneously be rescinded.

Dr Albert Racz, state secretary,
chairman of the State Office of Wages
and Labor Affairs

SENIOR ENTERPRISE MANAGERS' INCENTIVE SYSTEM IMPLEMENTED

Budapest MAGYAR KOZLONY in Hungarian No 47, 5 Nov 84 pp 858-861

[Decree of the State Office of Wages and Labor Affairs No 17/1984 on the System of Economic Incentives for Senior Managers of Enterprises]

[Text] On the basis of the authority granted me by the Council of Ministers and acting in agreement with the chairman of the National Planning Office, the minister of finance, the National Council of Trade Unions, the National Council of Consumer Cooperatives, the National Council of Industrial Cooperatives, and the National Council of Agricultural Cooperatives, I hereby decree the following:

Section 1

This decree applies to the economic organizations specified in Section 1 of Decree of the Council of Ministers No 43/1984 (5 Nov) and to their senior managers, or to senior officers in the case of industrial cooperatives (hereinafter: senior managers).

Section 2

1. An annual premium may be paid the senior manager who fulfills the annual premium task set in advance.
2. In the absence of provisions to the contrary, the source from which the senior manager's premium must be paid is the incentive fund. The senior manager's premium may be paid from this source with due consideration (or after making provisions) for the fund that can be formed after preparing the annual balance sheet, and for the amounts necessary to cover all obligations that must be met from this fund. If the specified source of financing does not cover, or covers only partially, the payable premium, payment may be made only up to the available amount.
3. In cases especially warranted (for example, when the annual premium task calls for a reduction or elimination of the enterprise's loss or for the solution of an environmental-protection task) the employer, in agreement with the branch minister, may propose that the State Offices of Wages and Labor Affairs authorize payment of the premium from another source as well.
4. The employer may pay the senior manager a bonus from the incentive fund when the enterprise has won the red banner of the Council of Ministers and of the Central Council of Trade Unions Presidium, or the title of outstanding enterprise or outstanding cooperative, or when the senior manager has been awarded a ministerial or higher-level decoration.

5. In addition to the cases specified in Paragraphs 1-4, a senior manager may receive only the following remuneration over and above his basic salary:
 - a. The fee for an innovation, employee's invention or for collaborating on an employee's invention, and patent or copyright royalties;
 - b. Remuneration in kind;
 - c. Yearend profit sharing;
 - d. Mining industry's long-service award;
 - e. Prizes won in public contests;
 - f. Other remuneration specified by statute.

Section 3

1. The annual premium task is based on the enterprise's rate of return on assets, in accordance with the detailed regulations contained in Supplement 1 to this decree.
2. In addition to the centrally prescribed annual premium task, the employer may set for the senior manager also special premium tasks that may be short- as well as medium-term tasks.
3. The equivalent of up to 20 percent of the annual basic salary may be offered in special premiums.
4. In areas where the profit incentive's application is unfeasible or limited, or where other economic-policy objectives besides the improvement of efficiency are of primary importance, an annual premium task (indicator or premium multiplier differing in either direction) other than the one specified in Paragraph 1 may be assigned.
5. Authority to assign other annual premium tasks pursuant to Paragraph 4 rests with the employer at the organizations for which central wage and salary regulation has been specified (excepting the enterprises that have elected to employ central wage and salary regulation, and the registered consumer service enterprises), and with the chairman of the State Office of Wages and Labor Affairs in the case of other organizations. When warranted, the chairman of the State Office of Wages and Labor Affairs may limit or suspend the employer's authority.
6. When the senior manager's premiums consist entirely of special premiums, or when the employer exercises his authority to assign a premium multiplier different from the generally applicable one, the offered premiums may not exceed 60 percent of the paid annual basic salary, which includes also the limit on premiums specified in Paragraph 3. In cases that warrant special consideration, the chairman of the State Office of Wages and Labor Affairs may waive this 60-percent limit.
7. Contrary to the provisions of Paragraph 1, the indicators specified in Supplement 1, Article II, must be used in the case of registered consumer service enterprises.
8. Contrary to the provisions of Paragraph 1, the indicators specified in Supplement 1, Article III, must be used in the case of foreign-trade enterprises.
9. At enterprises for planning, design and the administration of investment projects, and at small enterprises, the employer must use the reduced premium multipliers specified in Supplement 1, Article I, Paragraph 6.

Section 4

1. By 31 March of the current year, the employer must inform the senior manager in writing of the annual premium task and its multiplier, and of the rates of the premiums in the case of special premium tasks.

2. Commensurately with the prorated fulfillment of the premium task, and with due consideration for the data contained in the semiannual report, the employer may authorize the payment of one advance on the premium during the year.
3. Annual evaluation of the premium tasks' fulfillment must be ensured within 60 days of filing the annual balance sheet.

Section 5

1. The employer may reduce or revoke the premium if he establishes the senior manager's negligence affecting the enterprise's operations. Reduction or revocation of the premium is warranted especially when the senior manager's negligence is detrimental to the interests of the national economy or of the population.
2. The branch minister may issue guidelines on further considerations for reducing the premium. (For example, a worsening of the statistics on industrial accidents, a sharp rise in the number of justified complaints regarding the quality of the products or services, etc.)
3. The employer must reduce or revoke the premium also when the enterprise is liable for surtax pursuant to Section 8, Paragraph 1, of Decree of the State Office of Wages and Labor Affairs No 15/1984 (5 Nov) on the System of Enterprise Wage and Salary Regulation. The mandatory rates of reduction are contained in Supplement 2. This reduction applies only to the premium that is linked to a centrally prescribed indicator.
4. Commencing with the date of the fine's imposition, the payable premiums must be reduced for the senior managers of enterprises that have been fined pursuant to Decree of the Council of Ministers No 30/1970 (18 Aug) on Proceedings Against Budapest Enterprises and Industrial Cooperatives That Have Failed Without Cause to Comply With an Order to Move Out or Relocate. The rate of reduction for this reason may not be less than 25 percent or more than 50 percent.
5. When the enterprise reports a net loss, or a deficit of the incentive fund, the senior manager is not entitled to a premium or to yearend profit sharing for the year in which the net loss or the incentive fund's deficit occurred.
6. In situations that warrant special consideration, the chairman of the State Office of Wages and Labor Affairs may waive the consequences pursuant to Paragraph 5.
7. The reasons for the reduction or revocation must be presented in writing.

Section 6

The premium task's fulfillment must be evaluated, and the bonus computed, on an annual basis. When a multiyear premium task is set, only two-thirds of the premium prorated in accordance with the task's fulfillment may be paid in the given year, and a record of the remainder must be kept in the senior manager's personnel file (on his personal record sheet). The provisions of Section 5, Paragraph 4, must be applied in this case as well.

Section 7

1. The senior manager is entitled to yearend profit sharing, according to the rules specified in Decree of the State Office of Wages and Labor Affairs No 16/1984 (5 Nov) and in the collective contract.
2. The amount of yearend profit sharing may not be increased or supplemented for outstanding performance.

Section 8

The competent trade-union organ must be consulted on any action taken pursuant to Section 3, Paragraphs 2, 4 and 5, and Section 5, Paragraphs 1 and 2.

Section 9

1. This decree will become effective 1 January 1985. Its provisions must be applied for the first time to payments based on the economic results for 1985.
2. When this decree becomes effective, Decree of the State Office of Wages and Labor Affairs No 4/1981 (31 Oct) on the System of Economic Incentives for Senior Enterprise Managers, as amended by Decrees Nos 5/1982 (30 Nov) and 9/1983 (12 Nov), will simultaneously be rescinded.

Dr Albert Racz, state secretary,
chairman of the State Office of Wages
and Labor Affairs

Supplement 1

Indicators and Multipliers for Computing Premiums

Article I

Rate of Return on Assets

1. The rate of return on assets is the percentage ratio of net profit shown in the balance sheet, to the enterprise's own assets computed and reported in accordance with the rules for preparing the enterprise's annual report.
2. When computing their rate of return on assets, incorporated economic associations that fall under Section 28, Paragraph 1, of Decree of the Minister of Finance No 22/1978 (19 Sep), as amended by Decree of the Minister of Finance No 51/1980 (12 Dec), must include the combined total of the profit shown in the balance sheet, and of the profit that by law may be distributed among the association's members. The entire profit of an unincorporated economic association must be taken into account at the economic organization in whose balance sheet the association's assets and wage costs are included. When computing their own rates of return on assets, the association's members must exclude their shares of the distributed profit.
3. To determine as a percentage of the annual basic salary the premium that is linked to the rate of return on assets, the rate of return computed in accordance with the preceding provisions must be multiplied by the premium multipliers that can be found under Paragraph 6.
4. For 1985, the indicator to which the incentive is linked must be computed on the basis of the data for the current year; and eventually for 1986 and thereafter, on the basis of two- and three-year averages respectively. When a new enterprise is established or a new senior manager is elected (appointed), the incentive's indicator for the year of founding or election (appointment) must be computed on the basis of the data for the current

year, and eventually on the basis of two- and three-year averages respectively. Average means the arithmetic average of the annual rates of return on assets.

5. When the indicator to which the incentive is linked is being computed on the basis of a multiyear average, the value of the rate of return on assets for the year (or years) that closed with a loss must be taken to equal zero.
6. As a function of the enterprise's own assets defined in Paragraph 1, and of the wage costs included in the balance sheet, the premium multiplier's values are as follows:

Assets:wages	Rate of return on assets	Premium multiplier	
		General planning & design enterprises	Investment project ad- ministr'n enterprises
- 1.00	Up to and including 70 percent	1.10	0.80
	Portion over 70 percent	0.55	0.40
1.01 - 2.00	Up to and including 50 percent	1.50	1.06
	Portion over 50 percent	0.75	0.53
2.01 - 5.00	Up to and including 35 percent	2.20	1.54
	Portion over 35 percent	1.10	0.77
5.01 - 12.00	Up to and including 30 percent	2.60	1.80
	Portion over 30 percent	1.30	0.90
Over 12.00	Up to and including 25 percent	3.50	2.46
	Portion over 25 percent	1.75	1.23

7. In the computations involving the enterprise's rate of return on assets, the indicator to which the incentive is linked, and the premium as a percentage of the annual basic salary, must be rounded off to two decimals. The general rules for rounding apply to the computations.

Article II

At Registered Consumer Service Enterprises

1. The indicator to which the premium is linked is the percentage ratio of the current to the preceding year's proceeds from the sale of consumer services, less the cost of the materials and parts billed.
2. When the indicator defined in Paragraph 1 is maintained, a premium equivalent to 25 percent of the annual basic salary may be paid.
3. For every percentage point of rise in the indicator defined in Paragraph 1, the premium specified in Paragraph 2 must be increased by using the following premium multipliers for the portion of the rise that falls within the given bracket:

Indicator's bracket (percent)	Premium multiplier for each percentage point of the indicator's rise
100 - 105	2.5
105 - 115	1.5
Over 115	0.5

4. For every percentage point of decline in the indicator defined in Paragraph 1, the premium specified in Paragraph 2 must be reduced by one percentage point.

5. The indicator to which the premium is linked, and the premium as a percentage of the annual basic salary must be rounded off to two decimals. The general rules for rounding apply to the computations.

Article III

At Foreign-Trade Enterprises

1. The indicator to which the premium is linked is the ratio of current-year value added, as defined in Paragraph 1 of Supplement 3 to Decree of the State Office of Wages and Labor Affairs No 15/1984 (5 Nov) on the System of Enterprise Wage and Salary Regulation, to the derived total personnel, as defined in Paragraph 6 of Supplement 2 to the aforementioned decree.
2. The premium as a percentage of the annual basic salary must be determined as the product of the indicator defined in Paragraph 1, and of the following premium multipliers:

Per capita average of current-year value added (thousand forints)	Premium multiplier in the given bracket
- 300	0.14
300 - 600	0.02
600 -	0.01

3. Value added must be rounded off to the nearest thousand forints. The premium as a percentage of the basic salary must be rounded off to two decimals. The general rules for rounding apply to the computations.

Supplement 2

1. The mandatory rates for the reduction of premiums are as follows:
 $(H_1/K_1):(H_0/K_0)$

	Mandatory reduction rates (percent)		
	1985	1986	1987
1.00 -	0	0	0
0.95 - 0.99	10	0	0
0.90 - 0.94	25	10	0
0.81 - 0.89	50	25	0
0.80 or less	100	50	0

where H_1 , H_0 are value added in the current year and preceding year,

K_1 , K_0 are the enterprise's total wages and salaries in the current year and preceding year.

2. The provisions must be employed of, respectively, Supplements 3 and 2 to Decree of the State Office of Wages and Labor Affairs No 15/1984 (5 Nov) on the System of Enterprise Wage and Salary Regulation when computing value added and the enterprise's total wages and salaries.
3. The index of value added per forint of wages and salaries must be rounded off to two decimals. The general rules for rounding apply to the computations.

PRICING OF ENERGY, INDUSTRIAL MATERIALS, INTERMEDIATES AMENDED

Budapest MAGYAR KOZLONY in Hungarian No 47, 5 Nov 84 p 866

[Decree of the National Material and Price Office Chairman No 15/1984 Amending Decree No 11/1983 (10 Dec) on Adjusting the Pricing of Energy Sources, Industrial Basic Materials and Semifinished Products to Their Foreign-Trade Prices]

[Text] On the basis of the authority granted me under Section 32 of Decree of the Council of Ministers No 38/1984 (5 Nov) on Price Regulation, and acting in agreement with the ministers (central-agency chiefs) concerned and with the co-operatives' national federations, I hereby amend as follows the provisions of my Decree No 11/1983 (10 Dec) on Adjusting the Pricing of Energy Sources, Industrial Basic Materials and Semifinished Products to Their Foreign-Trade Prices, as amended by my Decree No 6/1984 of 26 Jun (hereinafter: the Decree):

Section 1

The following provision replaces Section 6 of the Decree:

Section 6

The distribution enterprise that falls within the scope of this decree must suitably document the data and the pricing method it used as the basis for calculating its price in accordance with the provisions of Section 2.

Section 2.

The Decree's Supplements 1 and 2 are amended as stated in the supplement* to the present decree.

Section 3

This decree will become effective 1 January 1985, and simultaneously Section 5 of the Decree will be rescinded.

Dr Bela Szikszay, state secretary,
chairman of the National Material
and Price Office

*The supplement to this decree is being published in the official gazette ARSZABALYOZAS ES TERMEKFORGALMAZAS.

ADJUSTMENT OF MANUFACTURING PRICES TO FOREIGN-TRADE PRICES REGULATED

Budapest MAGYAR KOZLONY in Hungarian No 47, 5 Nov 84 pp 866-869

[Decree of the National Material and Price Office Chairman No 16/1984 on Adjusting the Prices in Manufacturing to the Foreign-Trade Prices]

[Text] On the basis of the authority granted me under Section 32 of Decree of the Council of Ministers No 38/1984 (5 Nov) on Price Regulation, and acting in agreement with the ministers (central-agency chiefs) concerned and with the co-operatives' national federations, I hereby decree the following:

Section 1

1. This decree applies to the economic organizations (Section 685, Item c, of the Civil Code, hereinafter: the enterprise) that belong in a subsector or specialized subsector listed in Supplement 1 to this decree.*
2. The enterprise must apply the provisions of this decree to its own industrial products, with the exception of the sources of energy, industrial basic materials and semifinished products whose prices must be adjusted to their foreign-trade prices.**
3. Separate statutes apply to combat materiel and military equipment.

Section 2

1. When the enterprise's export denominated in hard currency reaches or exceeds 5 percent of its domestic sales, the enterprise must adjust to the foreign-trade prices in accordance with the provisions of Paragraphs 2 through 5.
2. The enterprise must pursue a price policy such that the price level of its products sold domestically, over a longer period of time and on average for the enterprise, will not rise faster than the enterprise's forint price level of export denominated in hard currency; or, if the forint price level declines--except when the provisions of Section 4 apply--that the price level of the enterprise's products sold domestically will decline commensurately with the forint price level of the enterprise's export.
3. Supplement 2** contains the method of adjusting to the export price level.
4. The longer period of time mentioned in Paragraph 2 is generally one year, but at most two years--with National Material and Price Office approval--in the case of products whose run-through time is long. The period of time may apply to either the calendar year or the fiscal year.

*Supplements 1 and 2 are being published in the official gazette ARSZABALYOZAS ES TERMEKFORGALMAZAS.

**Currently, Decree of the National Material and Price Office Chairman No 15/1984 (5 Nov).

5. If supply and demand are balanced in the domestic market for the enterprise's products and the enterprise is not operating at a loss, it may request the National Material and Price Office to exempt it from compliance with the provisions of Paragraph 2. The application for exemption must state the market conditions and the price policy that the enterprise is pursuing. If significant changes occur in the market conditions outlined by the enterprise, the National Material and Price Office may revoke the exemption. Supplement 2 contains the rules for enterprise pricing.
6. The enterprise must suitably document the data on which its compliance with Paragraphs 2 through 5 is based, and also its pricing methods.

Section 3

The enterprise must notify the National Material and Price Office when the conditions for adjusting to the export price level are not ensured. On the basis of such notice, the National Material and Price Office may issue separate regulations on pricing.

Section 4

1. The enterprise is not obliged to carry out a mandatory price reduction pursuant to Section 2, Paragraph 2, if it increases by at least the following rates the forint value of its export denominated in hard currency:

Previous year's hard-currency export, in percent of domestic sales	Rate of increase of the forint proceeds from hard-currency export (percent)
- 12	5
12 - 25	3
25 -	0

2. The base against which the increase of export denominated in hard currency must be measured is the preceding year in which the enterprise adjusted its domestic prices to the foreign-trade prices and first met the rates of increase required in Paragraph 1.
3. If the enterprise met the required rates of increase but did not claim the benefits attached to them, then it may choose as the base any year subsequent to the one pursuant to Section 2.
4. With due consideration for the provisions of Supplement 2, the expansion of export must be determined as the average of the rates of increase in the individual years following the base year.
5. In the requirements in Paragraph 1, the rate of increase of the forint proceeds from hard-currency export means the rate of increase during the period specified in Section 2, Paragraph 4.

Section 5

1. With National Material and Price Office approval, the enterprise may comply with its obligations pursuant to Section 2, Paragraph 1, also by commodity groups.
2. In the case of import substitution or "import kivaltas" [presumably switching from capitalist import to Soviet-bloc import], the National Material and Price Office may allow the enterprise to exclude the products in question from compliance with Section 2, Paragraph 2.

Section 6

1. For the purpose of this decree, export sales denominated in hard currency mean the export sales of the products specified in Section 1, Paragraph 2, and the custom processing of another country's materials, under the enterprise's own right to export, as a commission agent, for its own account, or under a partnership agreement. The exports specified in Section 1, Paragraph 3, are export sales as well, unless the National Material and Price Office orders otherwise.
2. When computing changes in the domestic price level and in the price level of export denominated in hard currency, the enterprise in its computations must take into consideration the export sales pursuant to Paragraph 1, and the provisions of Section 1, Paragraph 2, and of Sections 5 and 9, to determine the change in the proportion of export and in export earnings.

Section 7

When the enterprise's export sales denominated in hard currency are less than 5 percent of its domestic sales, in setting its domestic prices the enterprise adjusts to the foreign-trade prices by taking into consideration the prices of the enterprises that are complying with Sections 2 through 6, or the official guiding prices issued by the price authority, and the market conditions, together with the provisions of Supplement 2.

Section 8

1. Even with allowances for the benefit pursuant to Section 4, the producer price may not exceed the domestic price of a product that has the same utility characteristics and can be imported continuously in substantial quantities from hard-currency provenances, on the usual commercial terms and under the same pricing considerations (delivery date, delivery on schedule, packaging, etc.); or the producer price may differ from the domestic price of such a product only to the extent that the differences in utility characteristics and pricing considerations warrant (import-price limit).
2. The import-price limit means the imported product's actual domestic price in forints and includes all the legitimate costs or pricing factors (e.g., the commissions and reimbursed costs paid the foreign-trade enterprise, the freight cost and customs duty).
3. The fees for the import declaration and the import-license application may not be included in the import-price limit.
4. With due consideration for the provisions of Supplement 2, the enterprise must document its method of computing the import-price limit.

Section 9

1. The parties may freely agree on the price of a product that is supplied within the framework of permanent production relations and in substantial quantities, for inclusion in a product intended for hard-currency export (e.g., they may agree to share the profit on the export of the finished product).
2. In its other domestic sales of the product specified in the preceding paragraph, the enterprise may charge a price commensurate with the price pursuant to Paragraph 1, if the quantity supplied pursuant to Paragraph 1 accounts for a major share of the enterprise's total domestic sales of that product.

3. The product whose price the enterprise sets in accordance with Paragraphs 1 and 2 may be disregarded from the viewpoint of compliance with the provisions of Section 2, Paragraph 2.

Section 10

The enterprise that sets its prices in accordance with the provisions of Section 7 and whose current-year earnings from export denominated in hard currency amount to or exceed 5 percent of its domestic sales, may choose--with due consideration for the provisions of Supplement 2--whether to set its prices pursuant to Section 2 or Section 7.

Section 11

1. This decree becomes effective the day of its promulgation. Its provisions must be applied to the prices that will be in effect as of 1 January 1985.
2. When this decree becomes effective, Decree of the National Material and Price Office Chairman No 12/1983 (10 Dec), as amended by Decrees Nos 2/1984 (21 Feb) and 7/1984 (26 Jun), and also Bulletins Nos 1633/1980, III-2183/1984 and III-1758/1984 will simultaneously be rescinded.
3. The unclaimed portion of the option to raise the domestic price level in 1984 on the basis of the regulations rescinded under Paragraph 2 may be exercised after 1984, with due consideration for the provisions of Supplement 2.

Dr Bela Szikszay, state secretary,
chairman of the National Material
and Price Office

RULES ON NOTICE OF INTENT TO RAISE FREE-MARKET PRICES AMENDED

Budapest MAGYAR KOZLONY in Hungarian No 47, 5 Nov 84 pp 869-870

[Decree of the National Material and Price Office Chairman No 17/1984 Amending His Decree No 4/1981 (4 Feb) on the Mandatory Advance Reporting of Planned Price Increases of Certain Goods and Services With Free-Market Prices]

[Text] On the basis of the authority granted me under Section 16 of Decree of the Council of Ministers No 38/1984 (5 Nov) on Price Regulation, and acting in agreement with the ministers (central-agency chiefs) concerned, I hereby amend as follows my Decree No 4/1981 (4 Feb) on the Mandatory Advance Reporting of Planned Price Increases of Certain Goods and Services With Free-Market Prices, as amended by my Decrees Nos 12/1981 (18 Apr), 21/1981 (9 Nov), 3/1983 (6 Apr), 14/1983 (24 Dec), 4/1984 (18 Mar), 8/1984 (26 Jun) and 13/1984 (1 Sep) ((hereinafter: the Decree)):

Section 1

The following provision replaces Section 1, Paragraph 3, of the Decree:

3. The obligation to file a notice of intent does not apply to a product sold by an artisan, private merchant, work association, enterprise work association, civil-law partnership, an enterprise's store or subdivision operated by contract, a specialized industrial or service cooperative group, or a specialized agricultural cooperative group. Furthermore, it does not apply to the case when the National Material and Price Office, on the proposal of the price commissioner, has already reviewed the proposed price increase.

Section 2

The following provision replaces Section 1/B of the Decree:

Section 1/B

1. Unless the price authority's regulations provide otherwise, a notice of intent must be filed regarding the planned price increase of an industrial product or service for which the preparation of a price projection is mandatory, if the enterprise's actual rate of return in the preceding year or, in its absence, the rate of return planned for the current year is more than 8 percent of assets plus wages.
2. The economic organizations listed in Supplement 2 must file a notice of intent to raise the price of an industrial product or service for which the preparation of a price projection is mandatory, if its

actual net return in the preceding year or, in its absence, its net return planned for the current year exceeds 20 percent of the proceeds from sales. Net return is the difference between the total proceeds from the sale of the industrial products and services (excluding materials and parts in the case of services) for which the preparation of a price projection is mandatory (hereinafter: total proceeds from sales), and their direct costs (excluding materials and parts in the case of services).

3. The obligation to file a notice of intent pursuant to Paragraphs 1 and 2 does not apply to small enterprises, small cooperatives, and to rates for tourism and hotel services.
4. Computation of the rate of return on assets plus wages must be based on the combined total of the following: the capital assets' net value, excluding the capital assets that are outside the enterprise's sphere of operation; twenty times the [annual] rent in the case of leased fixed assets; the annual chronological average value of inventories computed on the basis of quarterly data (in agriculture, the value of the inventoried stock at the time when the inventory is taken); and the annual wages (or salaries).

Section 3

In Sections 2, 3 and 4 of the Decree, the passage "5, 10 or 20 days" is changed to read "5, 10 or 20 workdays."

Section 4

The Decree's Supplements 1 and 2 are amended in accordance with, respectively, Supplements 1 and 2 to the present decree.

Section 5

The present decree will be effective as of 1 January 1985.

Dr Bela Szikszay, state secretary,
chairman of the National Material
and Price Office

Supplement 1

The following is hereby added to the Decree's Supplement 1:

Products and Services That Have Free-Market Prices and Require the Filing
of a Notice of Intent to Change Prices

III. Services

Agency commissions in foreign trade.

Supplement 2

The Decree's Section 1/B, Paragraph 2, applies to the following economic organizations:

--The consumer, marketing and purchasing cooperatives; their economic associations formed with one another, or with other economic organizations, and belonging to subsectors 513, 514 and 515; and the ZOLDERT [Vegetable- and Fruit-Marketing] Enterprise in specialized subsector 5122.

WHOLESALE PRICING OF CONSUMER GOODS REGULATED

Budapest MAGYAR KOZLONY in Hungarian No 47, 5 Nov 84 pp 870-871

[Decree of the National Material and Price Office Chairman No 18/1984 on the Pricing of Consumer Goods Sold Wholesale]

[Text] On the basis of the authority granted me in Decree of the Council of Ministers No 38/1984 (5 Nov) on Price Regulation (hereinafter: the Decree), acting in agreement with the minister of domestic trade and the ministers (central-agency chiefs) concerned, and with the cooperatives' national federations, I hereby regulate as follows the wholesale pricing of consumer goods:

Section 1

This decree applies to the pricing of consumer goods that are sold wholesale, for domestic consumption, by enterprises belonging to specialized subsectors 5132, 5133 and 5145 according to the Central Statistical Office's uniform classification of the national economy's branches and sectors, and by the DELKER [Citrus Fruits Trading Enterprise] and HALERT [Fish Marketing Enterprise] enterprises (hereinafter: the enterprise).

Section 2

1. The enterprise may set its commercial sales price by taking into account its own procurement cost, the retail turnover tax or price subsidy specified by separate statute, the consumption tax, and the official suggested profit margin, or the enterprise's own profit margin based on a markup that is computed with due consideration for the justified costs and a reasonable profit. For the purpose of this decree, justified are also the separate costs that are published in the announcement on the official suggested profit margin but are not included in it. The price arrived at in this manner is regarded as the calculated commercial sales price.
2. On the basis of its assessment of the market conditions, the enterprise may freely depart in either direction from the calculated commercial sales price. But the commercial sales price that the enterprise charges may not be in conflict with the provisions of the Decree of the Council of Ministers No 31/1984 (31 Oct) on Fair Pricing.

Section 3

1. The enterprise may retain as follows the surplus over the annual volume of its calculated markup resulting from differences between the calculated and the actually charged commercial sales price:

- a. The surplus resulting from a better procurement price than earlier, due to finding more favorable sources of supply (for example, by buying a lot from inventory) or to bargaining over the price;
 - b. Fifty percent of the surplus resulting from the sale of products that originated from a zero-balance or credit-balance barter agreement for the expansion of market allocations and broadening of the assortment and were procured through any transaction or small-series production contract; and also of products from import cleared in rubles;
 - c. Any reimbursements from suppliers for tasks undertaken on their behalf on basis of a contract in writing;
 - d. Any import concessions that are not related to the quality of the products.
2. Any surplus for reasons other than those specified in Paragraph 1 must be paid into the Market Intervention Fund at the end of the calendar year.

Section 4

1. The enterprise must keep a record of its procurement cost, employed trade markup, calculated and actual commercial sales price, and the items specified in Section 3, Paragraph 1.
2. The justified costs, and the markup that includes profit must be substantiated with computations.

Section 5

This decree will become effective 1 January 1985. Simultaneously, my Decree No 15/1979 (1 Nov), as amended by my Decrees Nos 3/1980 (5 Nov) and 25/1981 (26 Nov), and also my Instructions Nos 17/1963 (ARSZABALYOZAS, No 43), 14/1967 (ARSZABALYOZAS ES TERMEKFORGALMAZAS, No 46) and 5/1971 (ARSZABALYOZAS ES TERMEKFORGALMAZAS, No 28) will be rescinded.

Dr Bela Szikszay, state secretary,
chairman of the National Material
and Price Office

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END